

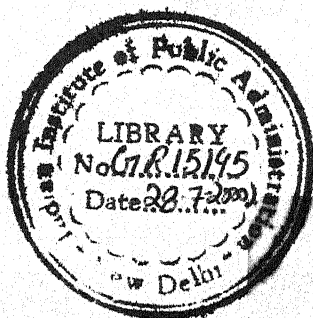
# LARGE-SCALE ORGANISATION

A FIRST-HAND ACCOUNT  
OF THE DAY-TO-DAY ORGANISATION AND  
MANAGEMENT OF LARGE INDUSTRIAL  
UNDERTAKINGS AND PUBLIC SERVICES

EDITED AND WITH A FOREWORD  
BY

G. E. MILWARD

Author of  
*An Approach to Management*  
*Skill and Management*



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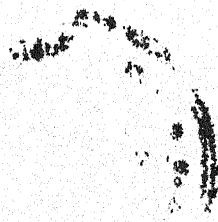
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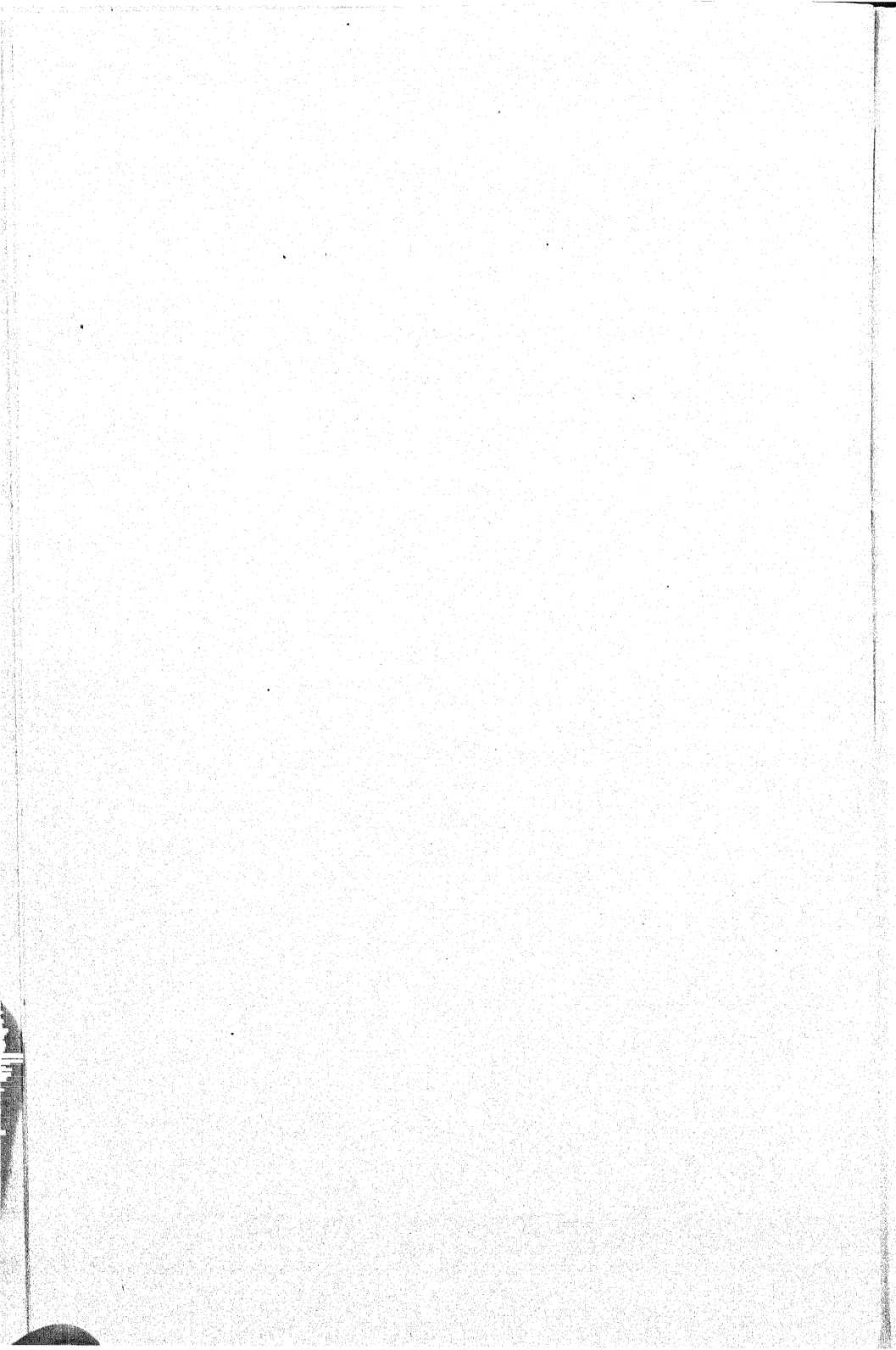
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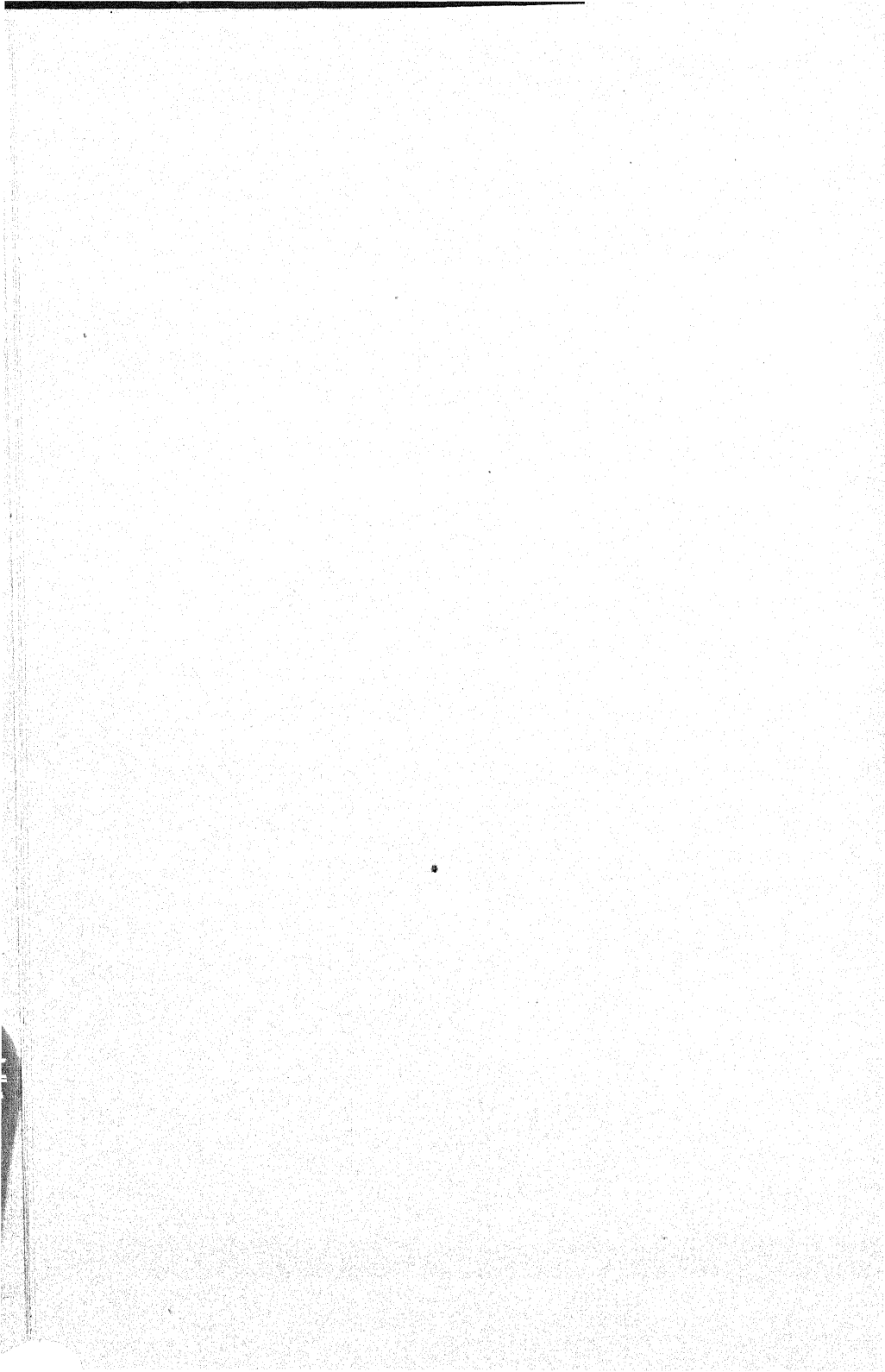
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## FOREWORD

*by* G. E. MILWARD

WHEN looking at a large building it seems to change its appearance according to the point of vantage from which it is viewed—from inside or out; from above or below. These changes of appearance are just as noticeable when the building is made of humans and their relationships as when it is made with bricks and mortar, and they apply in any activity directed towards a purpose and contributed to by a number of persons. The subject of this series of papers is the structure or pyramid of organisation, and it is viewed from inside and from a high vantage point of position and in some cases of high authority. The authors are representative of large companies, of corporations, of a county council and of Government departments, and they write in their official capacity with the authority of position and the advantage of knowledge and experience gained at first hand. These are important qualities.

What they have to say has a real value, no less because of the danger of unreality that seems to arise whenever people talk about organisation. There are so few facts on this subject upon which to base one's reasoning, and it is difficult, if it is at all possible, to observe someone else's organisation without an inside knowledge of the human relationships, the flexible equivalent of the mortar that holds things together. The problems of size in organisation are comparatively new, and are not therefore very familiar or well understood, in part because these large organisations themselves are young or have recently grown in size. Perhaps it is true that problems such as these have to be personally experienced and solved to be known and fully understood, and also that the gradual building up of knowledge is of necessity a slow process. It is to speed up this process that the Institute of Public Administration has asked these officials to place some of their experience at the disposal of the public; it should perhaps be

emphasised that this cannot be expected to serve as a complete substitute for experience, although it may aid the better understanding of a somewhat abstract subject.

In reviewing and bringing together some of the contents of these several papers, their meaning may become clear if a start is made at the top of the structure, after that working downwards, conforming to the pattern outlined in Mr. Simpson's introduction, following the same practice as that observed in most of the chapters, and therefore employing the same viewpoint as that of most of the authors.

### *Top Organisation*

It would be very reasonable to assume that the seat of power and authority will be at the top of each organisation. The practice of drawing charts on the analogy of the family tree encourages this assumption, yet it would not be correct in all cases. It may represent one of the values of a study of these chapters that their reading discourages easy assumptions and generalisation and encourages application to particular cases, each in its detail and on its own merits. The exception to be noticed to the general idea that authority always lives at the top of the tree is to be found in the paper describing the Iron and Steel Federation; this association is more nearly akin to a superstructure erected upon the foundation of a number of independent manufacturing companies, and it should not be regarded as an example of normal industrial organisation. The member companies, the Iron and Steel Companies, possess the power and they keep the purse. The Federation performs a number of common services under the direction of those whom it serves. At a first glance this superstructure resembles the top organisation of an industrial combine, but the differences are subtle and interesting. Mr. Shone's paper (page 16) will repay study as a description of an organisation in a less common field—that of the trade association or federation.

Each author has informed us about the composition of the group at the head, the group that leads and directs his particular enterprise, but the actual constitution of that group differs, as was to be expected. In the Midland Bank, historically and today

one Director, the Chairman, is a full-time official, and none serves in an executive capacity. In Lever Brothers & Unilever Ltd. all the directors serve full-time and hold managerial appointments. At the Bank of England the Governor, the Deputy Governor and four Executive Directors, each with a separate function, all serve full-time, but twelve other Directors are retained on a part-time basis. At Imperial Chemicals seventeen Directors are full-time, and five Directors, like those of the Midland Bank, are part-time and fulfil a critical, advisory, consultative requirement. Prudential Assurance distinguishes between the board of Directors, the General Manager and a Management Committee. The British Transport Commission uses whole-time members and has one part-time member, and these members exercise a collective responsibility without any functional division of their activity. The Government departments differ one from another. The Board of Inland Revenue—with a Chairman, two Deputy Chairmen and four Commissioners—differs from the Ministry of National Insurance—with a Permanent Secretary, Deputy Secretary and Under-Secretaries—but this difference may be more one of form than of content. The General Post Office has a Board whose constitution is not unlike that of any large industrial company, except that it is not itself the seat of power, but is advisory to the Director-General, who carries the responsibility, under the Postmaster-General, for policy and its execution. The London County Council, as a miniature Government in its own field, is noticeably constituted on different lines; elected members hold many responsibilities and officials form the executive arm. As has been suggested, the Iron and Steel Federation is not readily to be compared with the other enterprises described in this book, except with the London County Council in some ways, but the attempt to make such a comparison may have value in the development of a wider understanding of the problems of organisation and how these may be solved or avoided.

The overall picture is a little confusing. These papers will make it clear that the composition of the directing group follows no principle, complies with no exact standard, yet if the pattern of actual practice is studied certain criteria will emerge, certain

requirements that are shared in common. Generally the directing group is responsible for determining the "ends" to be followed by the enterprise; sometimes there is complete, at other times partial, delegation of management, of the "means" to be employed in gaining those ends. In the small business the formulation of "ends" is a comparatively simple process when one man, the owner, combines in his own head not only the knowledge of ends but also experience of means and men. In the large industrial undertaking such knowledge needs to be brought together, to be represented and to be balanced in its representation. Some Board Members may be chosen for "overall" qualities and may serve without portfolio, without function; they will thus have the time in which to think and the ability to take the "overall view". In one case the whole Board is so constituted. Other directors will represent "means"; these are functional directors whose time is heavily pledged. Mr. Lynex of Imperial Chemical Industries says that the concentration of responsibility in the hands of Functional Directors alone would surely tend towards over-centralisation of the Company's affairs, and within Imperial Chemical Industries the counterbalance provided by the Group Director (the Operational or Contact Director) ensures a happy matching of the benefits of centralisation with a full measure of delegated responsibility, so that the essential freedom of the man on the spot is not sacrificed. Some directors act as "merchants of policy", travelling between Headquarters and the operational units, keeping decentralised activities in line with policy rulings and policy formulation in close touch with the day-to-day operational requirements (these are Mr. Lynex's Group Directors); and finally there may be others needed to restore the critical, objective faculty that is endangered whenever great experience is possessed or brought together. These are part-time, or external, or critical directors, and should not be confused with the "guinea-pig", described by the dictionary—"a company director who does no work for his fee". They tend instead to be busy men at the head of companies who attend these other board meetings to ask "penetrating questions", to supply "common sense", a diversity of experience, and so prevent the "ingrowing of ideas".

It is perhaps one of the diseases of growth that a man tends to be ruled by the past and to lose inventiveness and flexibility. The provision of these critics at the policy level represents an interesting development in the large organisation.

Against this background it will be observed that in certain circumstances of law, custom, markets or other technical requirement and at the present stage in their evolution, history and growth, some of these directing groups divorce "ends" from "means", as is the case with the Board of Inland Revenue. The Prudential Assurance Company separate and subordinate the act of managing beneath policy-making, although the senior members of the management assist in policy making. In other circumstances it will be found that the heads of the functions of management have seats on the Board with a voice equal to that of any other interest as to what policy should be followed. In another example (the General Post Office) the technical or functional managers are represented at the top on a Council that must be consulted, yet in character remains advisory to the one official with whom all responsibility lies. The technical expert is today at a stage of graduation into administrator, and these chapters may suggest interesting developments of ways and means in which technical abilities may be interwoven with overall administrative ability, so that the enterprise secures that integration of "overall" wisdom and practical experience which remains one of the undoubted assets of the well-run smaller businesses directed and controlled by one and the same man.

Consideration of the most suitable way of concentrating or separating the top authority is not to be determined according to any rule of thumb; it needs to be governed by the requirements for speed and quality of decision among other important executive factors (*Note*—"Executive" is used in contrast to "Regulatory"). Sir Geoffrey Heyworth takes up this point (page 171), and describes how some of the Lever Brothers & Unilever organisation and much of their management are designed to aid and speed the decision process. At Lever Brothers & Unilever there is a Special Committee of the Board to which power has been delegated to deal with broad policy, to co-ordinate and to supervise. The executives of the Company do not

refer their day-to-day problems to this Committee, for, as Sir Geoffrey has abundantly made clear, the Board believes in the delegation of authority. The Committee is available three days a week to take those decisions which are of such importance as to require the weight of the full Board's judgment, and he would be a rash man who tried to shelter behind the Special Committee, or who failed to exercise the authority entrusted to him. The existence of such a Committee, almost in permanent session, could have a stultifying effect on the courage and ability to take decisions at the lower executive levels. The formation of such a committee needs perhaps to be coupled with delegation and enforced acceptance of responsibilities.

The Management Committee at the Midland Bank (page 191) is not unlike Lever Brothers Special Committee and the Iron and Steel Executive Committee. It decides upon "policy" and upon "management" matters. Some of the work entrusted to the Committee might elsewhere be classed as a responsibility for directors, but in other fields this Management Committee compares with an individual responsibility like that of the General Manager of the Prudential Assurance Company, or a Chief Executive elsewhere. At the General Post Office the Director-General is described as the Chief Executive (page 54), and in the London County Council the Clerk is responsible for the proper conduct of the Council's business, but both these are "chief administrators" more than "chief executives". As is the case with the Heads of Government departments, they have a corps of administrators who study, collect and formulate proposals, and in addition provide "staff services" for the Chief.

If it is at all possible to generalise from the amount of evidence available, it may be suggested that it is rare for the direction of any large-scale activity to be concentrated in the hands of a single individual unaided by a "staff service". The need to steer a course between the economic, technical, governmental and human forces of today suggests that two or more heads are better than one whenever the work of decision is complicated. It is usual to find from fifteen to twenty-five directors sharing responsibilities at the head of a large company. For this and other reasons it seems from these chapters that not many employ the concept of a

Chief Executive, General Manager or other individual at the centre of all decision.

### *Division of Work*

These chapters will afford valuable illustrations of the practice of dividing work in such a way as will best accord with the conditions and circumstances within which that work has to be carried on; the way chosen must also suit the staff. It is noticeable, however, that none of the authors places much emphasis upon the actual means of division that is used, nor does anyone claim that this dividing process is a major factor contributing to the success of his enterprise. This is not to say that reorganisation has no value, but rather that the subject is not discussed in these papers. The reorganisation of activities requires a fine balancing of the pros and cons, the careful estimation of the effects of change upon staff and the testing where possible, by pilot run, of the benefits that will accrue to the client and the savings that will be secured by the employer. That subject is too large to be treated in so short a space as is available within any single chapter in this book.

*The first division of activity*, other than the divorce of "ends" and "means"—i.e., policy and management—is often the separation of the main functions of the enterprise the one from the other. Thus Inland Revenue divides its work into the particular fields of revenue in which they collect—income tax, estate duty, stamps—and some further fields of the common service professions of law, accounts and valuation. The Bank of England (page 107) divides its activities according to the main activities of a Central Bank—Cash, Stock Registration, Note Printing. The General Post Office separates Postal Services from Telecommunications and from Savings. Governing these activities is the division of management (how the "ends" are to be achieved) or the separation of internal policies under accounting, personnel or establishments, various technical and professional subjects, the commercial requirements of trading, research, etc.

Within the main division of activity (by function) there will be subdivision by subject and by work process. Inland Revenue distinguishes and separates the processes of (a) Assessment,

(b) Collection, (c) Valuation, (d) Legal Action. At the Bank of England the Banking Department is divided into processes (a) Drawing, (b) Bills, (c) Intellers, (d) Exchange Control, etc. Thus within any division by major function there is usually a number of divisions made to accord with, develop and expedite the work processes needed to carry on the whole activity.

*The second main division* in any organisation with widespread activities may be on a geographical basis, and in this division all processes are managed, all normal decisions are taken, within one particular region or area; alternatively, similar processes of operation are grouped together under one management because they are all doing the same thing, and can therefore benefit from association together despite the fact that they are separated from one another geographically. The manufacturing divisions of Imperial Chemical Industries are grouped so as to bring the same or similar production problems under the same operational hat with a mutual production advantage to each process unit which benefits from the shared experience of colleagues engaged on parallel processes (page 146). In a small country with good communications the process division may have the advantage, but where the country is large, or the process problems are simple or small in number, then undoubtedly the geographical division becomes the more popular.

*A third division* may result in what virtually amounts to a separation from the main body of a service unit or a whole operational unit as far as its day-to-day management is concerned, subject always to broad policy guidance and financial direction from the centre. Within this subordinate department, or operational unit, or subsidiary company, activities are divided and subdivided, as was the case with the parent body. Imperial Chemical Industries and Lever Brothers & Unilever each separate their production operations into convenient divisions (Imperial Chemical Industries by like processes, Lever Brothers by like product); they delegate much authority to a subsidiary board of directors and control management from Headquarters (Imperial Chemical Industries mainly in an executive capacity with central service departments and functional directors, Lever Brothers through advisory and service departments). It may be noted

(page 175) that Lever Brothers place more emphasis upon the need for advice to be good than for it to be powerful. Advice needs also to be well presented, so that it is seen to be good. They say that it is difficult to find enough men of the right type for advisory work who have to be recognisable as "practical" men, yet must also be able to think clearly, but not recognisably so; they must not be "too theoretical" in appearance!

In the General Post Office the Regions form a Command, in a military sense. The Regional Director co-ordinates the work of his technical subordinates, and will delegate much authority to them. He has an Advisory Board to help him, similar to the main Post Office Board.

The London County Council affords an example (page 132) of a division of work primarily designed to meet the requirements of the people to be served by its Welfare Committee and Department. Apart from this example, the Midland Bank and Inland Revenue, in their choice of branch sites, and the Ministry of National Insurance, in the layout of its work-processes and the provision of local offices, are strongly influenced by the requirements of the people they serve.

### *Co-ordination*

The business of the co-ordination of activities represents a constant preoccupation in the management of large operations, and although it is mentioned in several chapters, it has not been selected by many authors for separate consideration. The Bank of England (page 119) mention specific action taken by them to secure co-ordination of views and activities by, for instance, seating directors and executives in communicating rooms or several of them in the same room, by the means of luncheon-rooms and regular meetings. Mr. Oades describes the uses of conferences and a central Instruction Branch (page 42) as a means for the co-ordination of activities and to secure the consistent treatment of insured persons, similarly circumstanced and in any part of the country. The Post Office entrusts much of the co-ordination of operations to the Regional Director, but the two levels of advisory boards, for policy formation and regional

operation, undoubtedly form part of the machine for co-ordination. At the British Transport Commission it could perhaps be said that the *raison d'être* of the Commission itself is co-ordination, and that much of its activity is solely concerned with the co-ordination of policies and of technical management as between the Transport Executives. The London County Council (page 139) makes a careful analysis of the means found useful for securing co-ordination in Local Government, and Mr. T. J. Jones enumerates thirteen means that it employs, some in co-ordination at the stage of policy formation, others in the co-ordination of operations and management. The Midland Bank finds that in its field of banking, co-ordination largely depends on the co-operation of staff. In a Bank the procedures and methods are closely defined, actual operations are inspected and records are audited. In addition, all duties are tightly organised, while the whole business of banking deals with one and the same economic function throughout. As a result all activities are related to the same purpose and are interrelated between branch and division. It would, then, seem that the chances of discord are limited to the "human factor", and Mr. Rouse brings this home by his interchange of the words co-operation and co-ordination.

#### *Co-operation and Communication*

It is interesting to note the emphasis placed by Lever Brothers & Unilever (page 176) and Imperial Chemical Industries (page 159) on the great value they set upon good relationships and good communication as a factor in efficiency. There is a constant need for a flow of news from the centre to the perimeter and from the perimeter to the centre. As the Directors and Executives visit the operational units, offices and factories, they not only see that they tell others "more than they need to know", but they also see that they in turn tell *their* subordinates "more than they need to know". Sir Geoffrey Heyworth adds that, as he and his co-Directors go about, they must encourage staff to say what they think because only by so doing can confidence be built.

In any organisation, however well designed, co-ordination

can fail if Executives stand on their dignities, or put themselves first and the organisation second. There are a number of human failings or frailties that make good organisation difficult : ignorance of objective, face-saving decisions that leave an unreconciled point of view, plain inertia, the "won't play" of a limited specialist, personal ambitions and personal jealousies or dislikes. All these may be familiar. Their absence spells co-operation.

In most large concerns there are potential sources of conflict that arise from the division of work or from the division of power and authority. Mr. Lynex points out that in practice these problems rely for their resolution upon the close relation maintained between the Directors and, further, upon the provision, on any matters on which they want it, of advice from the Chairman or Deputy Chairmen of Imperial Chemical Industries.

Some preliminaries to obtaining complete collaboration with the staff would appear to include :

(1) The clarification and sharing of the objective, all parties sincerely desiring the success of the enterprise.

(2) To this end, the determination of a fair and, if possible, inspiring policy.

(3) Good relations between owners, managers and managed.

(4) Flexible consultative machinery, a house magazine, public relations facilities, staff meetings and, above all, good organisation by means of which the staff can consult and be consulted, and may realise the important share in the success of the business represented by their work.

The Midland Bank (page 195) give some information about that part of their organisation which is designed to make the wisest use of their valuable asset—the staff. It is not generally understood that a high proportion of their staff achieve managerial status, and for this reason the Bank take training seriously, not only on appointment, training on the job, but later on promotion, by means of a residential college. Undoubtedly had space been greater each contributor would have helped by giving some account of how their organisation builds its own teams and series of teams of people who work together harmoniously and with a keen spirit of co-operation, but amongst these particular authors

there is complete agreement in principle on the importance and value of this work.

### *Efficiency*

Not very much is said in these papers about how efficiency is secured and maintained. The London County Council is trying a system of efficiency committees, jointly representative of management and of staff, to examine specific aspects of work with a view to the improvement of methods (page 141).

Five of the authors of chapters in this book are themselves responsible for the administration of Organisation and Methods Units, or their equivalent, in large undertakings, but their natural modesty has prevented their blowing their own trumpets by including even a mention of the work upon which they are engaged. Very briefly, these units serve in an advisory capacity, and they study office organisation, procedures, methods and machines, raising existing standards of performance after a careful process of fact-collecting, comparison of what is at present done with other standards and after experiment where that is possible. An Office Administration Unit is but one tool for the improvement of office efficiency. Its use depends largely on the will to be efficient on the part of those operationally responsible for the conduct of work. In the small enterprise good management is part of the attitude of mind of those who manage, but in large organisations it is not always possible, or wise, to leave good management to chance, for minds are often burdened with many pressing matters other than efficiency, and attitudes are sometimes "chancy" when minds are busy.

Imperial Chemical Industries (page 152) divide efficiency under a Productivity Committee and an Engineering Committee. Membership of the last committee includes the Chief Engineer of every division, and this illustrates one of the means by which engineering experience and up-to-date engineering practice are made available throughout the whole Company. For paper work the Office Administration Department has the responsibility for efficiency and their rule runs wherever paper is used in office or factory.

It remains to be said that our knowledge of the subject of

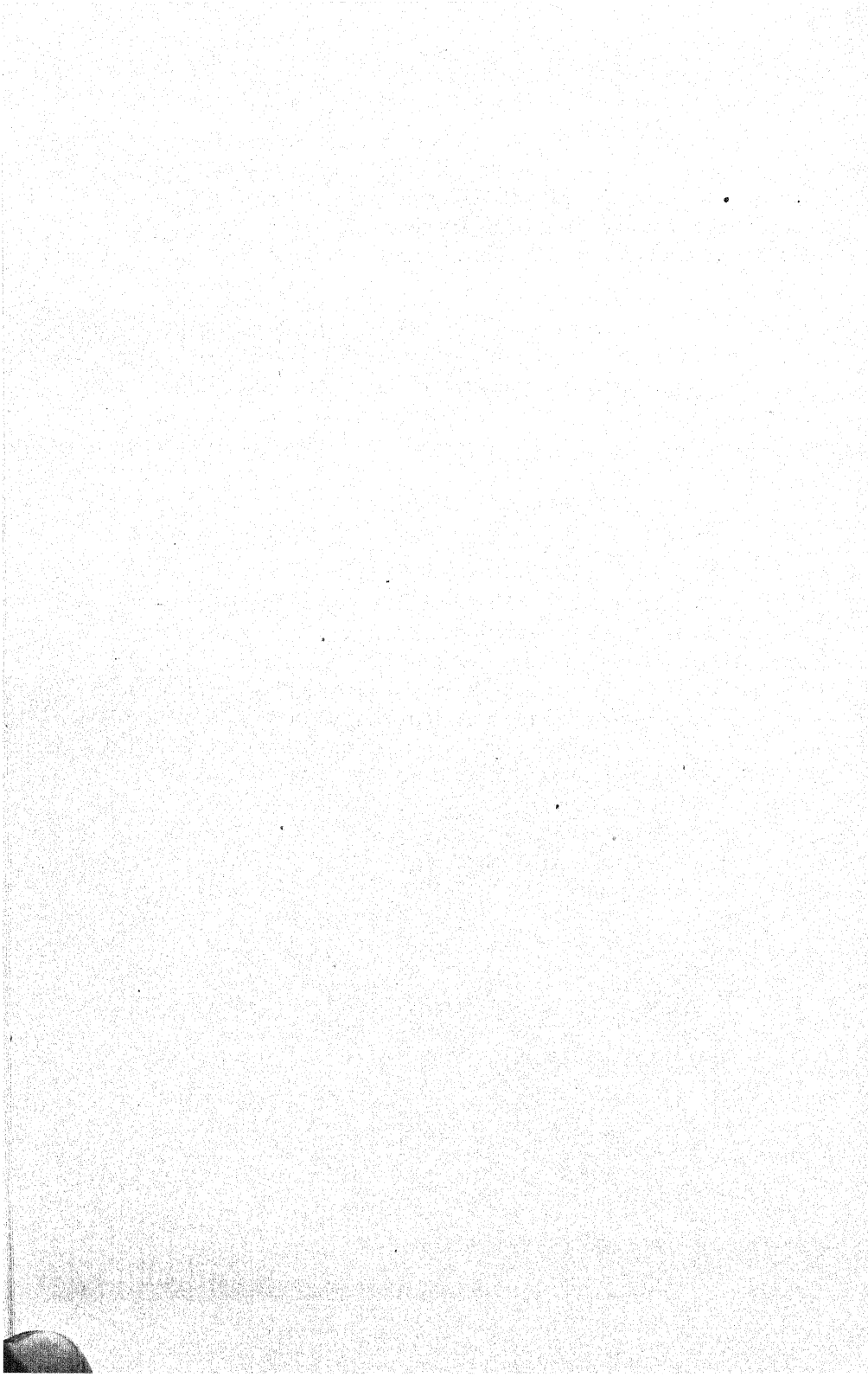
organisation is still incomplete, however much it may be improved and increased by reading the papers that follow, particularly Sir Charles Renold's epilogue to the series. Direct comparisons between the organisation of the several undertakings would be misleading for the following reasons :—

(a) The activities are widely different, as are the circumstances, statutes, accountability, markets and other technical requirements under which they operate.

(b) The information readily available about their organisations is in each case incomplete, and differs in the degree of detail given and in the aspect of the organisation to which it relates.

(c) The organisation of these undertakings is not static : the information available relates to different stages of evolution in the history of each.

Some of the questions posed by Mr. Simpson in his introduction have not been answered at all—space did not permit; others have been only partly dealt with, but we certainly now possess what we did not have before—a first-hand account of the organisation of some large-scale activities.



## INTRODUCTION

by J. R. SIMPSON, C.B.

*(Director of Organisation and Methods, H.M. Treasury)*

ORGANISATION as a subject has long provided an interesting and, it would seem, a profitable study for those who have responsibility for management, but it has recently developed a topical interest of a more general nature. This interest in organisation, particularly in the organisation of the very large undertaking, has been quickened by the widespread and persistent criticism of the structure and management of nationalised industries and of the organisation of the whole executive arm of Government. Added to this there is a growing appreciation that better management and better organisation, in that they lead to higher efficiency, can make a substantial contribution to the solution of the country's economic problems.

The Institute of Public Administration provides the widest possible forum for the discussion of this subject. Its membership extends not only to the staffs in central and local government, but also to those employed in the administration of nationalised industries and to students of public administration generally. The Institute felt, therefore, that it could make a useful contribution to the subject by bringing together a number of representative bodies to take part in an empirical approach by means of a series of papers designed to present real life studies of the organisation of the largest activities. It is indeed fortunate that it was possible to secure the close co-operation of eleven leading industries and services, each of which has commissioned a senior officer to describe their organisation at first hand and to tell something of their organisation problems and how they have endeavoured to solve them. Included in the list are five industrial or commercial companies: the Iron and Steel Federation, the Prudential Assurance Company Ltd., Lever Brothers & Unilever Ltd., Imperial Chemical Industries Ltd. and the

Midland Bank Ltd., two nationalised industries, the British Transport Commission and the Bank of England, three Government Departments, the Ministry of National Insurance, Post Office and the Board of Inland Revenue, and the largest local authority, the London County Council.

It might have been helpful if a paper could have been included to describe the organisation of one of the armed forces. In the popular mind perfect organisation normally is associated with the army. The division of the men into companies, regiments and corps, the clearly defined duties and authority of the officers, the discipline that secures precision in all evolutions and obedience to all commands of the superiors, suggest to most people the perfection of concerted action, and furnish the type to which they feel that all organisations should conform as nearly as possible. Although it is permissible to doubt if military organisation has any close application to industry and government, the army is nevertheless the oldest form of organisation of large-scale activity, and it would have been interesting to have had it described in this book.

Whilst the eleven bodies contributing these papers by no means exhaust the field of large-scale activity in the country, and may not be completely representative of its wide variety of organisation, nevertheless they are a reasonably good cross section of private industry and commerce, nationalised industry and government. Together they should provide a great deal of useful, and otherwise unobtainable, information about the actual problems of organisation encountered in large undertakings and the variety of means employed to deal with them.

The Institute felt that at the beginning of this series there should be something by way of introduction, and that it would be helpful if in such a paper some attempt were made to survey the problems of organisation which confront those responsible for large-scale activities and to prepare the way for a joint consideration of the subject, by indicating some of the matters with which subsequent authors may be expected to deal. To round off the picture the final paper in this volume is written by Sir Charles Renold, the Chairman of the British Institute of Manage-

ment, in which he sums up and draws inferences from the material these papers have provided.

It would be wise, at the outset, to be clear about the limitations of the subject to be discussed. The title is "Large-scale Organisation", and it is recognised that this will not embrace the whole field of directional management of which organisation is an important part, but only a part. It is not always profitable to dissect management into its many components, nor should the attempt be made to crib, cabin or confine the contributors to any narrow interpretation of what is meant by organisation. Some of them will, in any case, venture the reminder that the title of these papers, "Organisation", does not present the only problem that arises in the management of large-scale activities.

What is it hoped to discover from this series of papers? It is evident that of these eleven undertakings no two are exactly alike; indeed, with one or two exceptions they are completely dissimilar. A description of a number of organisations will convey how certain people carry out certain enterprises or activities, all different in character. It will become clear that not only their duties differ in some measure, but that the people who run the undertaking and those who work in it will differ even more. It will not be surprising, therefore, if the forms of organisation and the structures of relationships they employ vary to a considerable degree, that their problems, solved and unsolved, are not necessarily the same and that they do not all agree about the importance of particular elements or habits of organisation.

You may ask, What remains? That is what this book is for—to discover what remains. What wisdom or experience may be remarked in the different ways in which a number of different people carry out different duties often under different circumstances with different purposes or objectives under different laws and customs and with different technical requirements? Surely there should be something to be learned from the consideration and comparison of the great experience of these eleven large undertakings who are so generously contributing of their knowledge.

It may well be that the papers will not result in the establishment of any general or universal principles of organisation.

That task has already been attempted by others, and there is no lack of literature on so-called principles of organisation. Nor is it to be expected that they will provide any universal yardsticks to determine what is good or what is bad organisation. Nevertheless, it should be possible to discover some of the elements or characteristics of large-scale organisation and to study the manner in which they are related and dealt with in widely varying activities. The least to be gained from all this is a better understanding and appreciation of the subject and its problems and—who knows?—perhaps a better appreciation of the progress made in this country in solving the human and work problems of today.

In discussing any management subject a difficulty is created by the different meanings attached to common words such as “organisation”, “administration”, “executive”, “manager” and so on. There have been many attempts to lay down standard definitions, but none of them has been entirely successful, and there is no present intention of adding to the list. It would be possible, however, to get into difficulties unless there is an understanding of what each of the speakers means when he uses such words. As Voltaire once said, “If you wish to converse with me—define your terms”. It would certainly avoid confusion if some definition were given by each contributor of what is meant in his undertaking by words and terms which will be used frequently throughout this book.

To set a good example, it would be well to state what each writer understands by the word “organisation”. There are numerous definitions—some long, some short—in various textbooks, but I will quote only two, the shortest, which give a simple and almost a non-controversial description. The first is that given by Alvin Brown, “a means to concerted human endeavour”, secondly, and the one which seems preferable, is that given by a colleague, Mr. G. E. Milward—“harmonious interrelation of functions and staff”. Organisation is not created merely by compiling an organisation chart nor is it something that can be constructed independently of the people employed in the undertaking or, indeed, of the circumstance in which it operates. It is a living, changing thing, not an inanimate

object. These are the reasons that have governed the choice of the definition—"harmonious interrelation of functions and staff".

What elements or characteristics are to be looked for in the descriptions of these various organisations? Here are some of them, but this list is by no means exhaustive, and it will not be surprising if some factors are omitted to which subsequent contributors will refer and on which they may place great importance. Nor must it be expected that all the elements in this list will necessarily be featured in all the organisations, and where they are present they will vary in importance, and in some cases may not present any difficulty in treatment.

First in authority, and therefore the first level for consideration, is usually called "top organisation"—a term which probably needs no definition. In the earlier days of industry, when businesses were small, top organisation was a simple arrangement. It consisted of one man, the owner, who combined in himself all the functions of management. He determined the policy of the business, he personally directed all its activities, he determined the priorities, he was conversant with every phase of its work and he knew all his employees by their Christian names. There were few if any top-organisation problems in those days. But as undertakings have grown in size and in the complexity of their activities, it has become more and more difficult for one individual to exercise complete control and, inevitably, responsibility for top management has been distributed over a number of officials. Perhaps there is another consideration which should be mentioned—one that our Constitution guards against—one that Lord Acton immortalised in the minimum of words, "All power corrupts and absolute power corrupts absolutely". Whatever the reason, it is very rare in these days to find any large-scale activity which is under the direction of a single individual, and each of the industries and commercial concerns whose organisation is to be studied is headed by a group of people. Government Departments might be regarded as exceptions to this rule, since each is headed by a Minister, but even here there is a collective responsibility in the determination of general policy and an organised surveillance of activities exercised by the Government and by Parliament.

It will be interesting to learn how the groups at the head of these different industrial and commercial concerns are constituted. It will be surprising if, in many instances, the group is a body merely representative of shareholders. It will no doubt be found that considerable care and thought have been exercised in the composition of the group which leads and directs the enterprise. There may be several different occupational elements in its composition; some will be part-time directors and others employed whole-time. In the case of whole-time officials it will be helpful to know whether they represent different spheres of activity—e.g., the various end-products manufactured—or whether they represent functional management—e.g., production, sales, finance. Where there are included in the group part-time officials without any specialised knowledge of the industry, but with a wide experience of business affairs in general, some information will be needed as to the critical or other role they play in the councils of the board and of the other ways in which they are able to contribute to the management of the industry. All this will be of particular interest, remembering the criticisms that have been made in recent months of the composition of the boards of nationalised industries and the controversy that followed such criticism.

Then it will be interesting to learn something of the scope of the Board's functions as a group. There is a view, almost a doctrine, that those at the top of the organisation should confine themselves to matters of policy, and should leave the execution of that policy to those in direct control of operations. Is this a view to which these large concerns subscribe? How far has it been found feasible in practice to divorce policy and execution? Is it in fact sound, or even possible, to determine policy without bringing into consultation those who will have to shoulder the responsibility for its execution?

This brings up a related problem which arises from the remoteness of those at the top from the actual scene of operations. Can any board efficiently and effectively direct large-scale activities unless, by some means or other, they maintain close touch with those activities? An eminent Field Marshal once said that no Commander could successfully direct the operations of an

army unless he knew it intimately, and knew what it was capable of performing and, perhaps more important, knew what it could not do. Is the same true of all large-scale activities? If so, could the contributors say what means are employed to bring the policies of the board into close touch with the realities of the concern the board controls?

Coming now to the next level in the organisation, it is contended by some that for speed of decision and other reasons the direction of the whole of the operations of an undertaking should be in the hands of one chief executive—the Managing Director or General Manager—and that the managers of the various factories or other activities and those in charge of particular functions, such as accounting, welfare, personnel management, should be subordinate to him. There has been criticism of the nationalised industries because they have no such chief executive in general command, and there have even been suggestions that the organisation of some Government Departments would be improved if immediately below the Permanent Secretary there was one person exercising a general managership over all the executive work of the Department. Has this view about a single chief executive been adopted in the large-scale undertakings under review and, if so, what advantages are claimed for this arrangement? If there is no one chief executive, to how many different senior executives has the board delegated the management of activities, what are their functions and how are they integrated in the general management of the undertaking?

It would be interesting to have the answer to a very pertinent question which in more or less degree affects all organisations. It is this—To what extent has the form of organisation been influenced, or even dictated, by those talented and temperamental people known as “prima donnas”? In most undertakings there are usually one or two senior people who cannot be fitted readily into what might appear to be the best organisation structure. They are usually people with outstanding qualifications, but equally obvious faults; they may be brilliantly good at some things, but obscure or bad at others. But the undertaking needs them, and the organisation may have to be adjusted to fit them, and possibly in some respects made less efficient in order to

contrive a position in which their talents can be fully utilised and where their shortcomings will not do any great harm. Does this sort of thing happen in large-scale activities? Do they to some extent mould their organisations to fit particular talents or temperaments?

Next in the organisation are the levels within the field of operations. By operations is meant all that is involved in the production and marketing of goods or the provision of services. Here it is more difficult to generalise, and it is probable that variations will be found in forms of organisations as widely diversified as the activities themselves. The textbooks say that, for the purposes of organisation, operations can be divided in several different ways. In industry, for example, the division can be made by reference to the different products manufactured or the processes employed in their production; or geographically by reference to the location of the various works or factories; or by reference to the various markets or consumers. The same broad kind of divisions can be applied to those nationalised industries which provide a public service—for example, transport, electricity and gas. Similarly, the larger Government Departments may choose to organise by reference to the services they provide, the Statutes they administer, the various kinds of revenue they collect, the benefits they pay out, or geographically by reference to the location of their offices or—another form of geographical division—by consideration for the distribution of the public they serve.

But there is another kind of grouping—that by management function, which involves bringing together particular responsibilities or activities which may be diffused over the whole field of operations. Some examples of such functions are marketing, transport, accounting, personnel management—there can be others.

Now, these various means of dividing operations are not necessarily alternatives, and in all large-scale activities several kinds of division are found necessary at the different levels of authority. The organisations adopted by the undertakings under review will almost certainly follow a number of different patterns, and it is to be hoped that the contributors will not only describe

them, but will endeavour to explain why, for their purposes, one pattern has been preferred to others.

In all this it is assumed that there is no "one best way" of dividing work, which must be followed under all conditions, but rather that the selection of the actual grouping is determined by the particular needs of each concern.

It is hoped that all the authors will have something to say on the subject of decentralisation. It is often said that, in the circumstances of the present time, there is too much centralisation—in Government Departments and in nationalised industries. It has been whispered that some parts of private industry and commerce are also afflicted with this disease. What is meant by decentralisation? It can mean two things. First, it connotes a dispersion of activities, a physical distribution over a wide geographical area. There are few large-scale activities which are concentrated under one roof or in one location. Reference has already been made to the need in some undertakings to organise geographically by reference to markets, customers or population. But there are other stern forces which compel physical decentralisation. In many instances individual establishments have grown to the point where the advantage of size in contributing to production efficiency is more than outweighed by the physical, economic, social, political and, in these days, military penalties of concentration and congestion. In recognition of this situation, there is a growing tendency among the larger companies to disperse their operations in order to reduce congestion and secure better living conditions for employees, to tap wider labour markets, to diversify the hazards of war-time bombing, to capitalise upon community interest in local enterprises and local products and to facilitate distribution.

It is this physical decentralisation of activities which gives rise to the problem of administrative decentralisation, and the basis of present-day criticism is that in most large concerns too many decisions and too much of the administrative burden rest upon the chief executive, the top group and the central office. Too great a proportion of the managerial horse-power—both executive and staff—is concentrated at headquarters; too little is placed in immediate charge of operations where it could be most

effective in ministering to the detailed needs of the business in direct contact with local problems involving employees, customers, competitors and the public.

Some readers may recollect a short and somewhat pathetic poem which parodies "remote control":—

There was a dachshund, one so long he hadn't any notion  
How long it took to notify his tail of his emotion,  
And so it happened though his eyes were filled with tears and sadness,  
His little tail went wagging on because of previous gladness.

It is alleged that similar contradictions emerge in over-centralised undertakings.

What answer to this kind of criticism can be given and to what extent have the concerns represented in this book adopted a positive policy of decentralisation of decisions and of administration? It is beyond doubt that centralisation, where it exists, is not due solely to the stubborn unwillingness of head offices to delegate responsibility to the outposts of the undertaking, or due to distrust of the executives in the field, and perhaps something may be said about the factors which *militate* against decentralisation and restrict the extent to which delegation of authority can be carried.

It must not be assumed, however, that decentralisation is the solution to all organisation problems or, indeed, that there are no circumstances in which centralisation does not possess positive advantages. Undoubtedly some activities or functions can best be dealt with centrally, where all the advantages of effectiveness and economy lie in specialisation at a central point. There may be other instances where it has been found necessary to employ a high degree of centralisation in certain fields for compelling reasons of management or as a preliminary to dispersal of activity and decentralisation.

Decentralisation very often produces its own problems, since, for a variety of reasons, it is necessary to secure harmony in the activities scattered over a widely diffused organisation. In few large-scale activities is it possible to give complete freedom; certain standards must be set, if for no other reason than to satisfy the shareholder, the customer or the public. It is also probably necessary to apply tests to the way in which decentralised re-

sponsibilities or activities are being discharged, not with the object of securing uniformity over the whole field, but in order to ensure that a similar degree of efficiency and effectiveness is being achieved in the various parts of the organisation. The authors of these papers who describe decentralised organisations will no doubt also say what means are adopted for keeping decentralised activities in line with policy rulings and in keeping policy formulation in close touch with operational requirements.

Related to the question of decentralisation as an important element in the organisation of large-scale activities is the delegation of responsibility within each individual unit of the organisation. Are there any general principles which have determined the basis of delegation of responsibility to individual officers at each level? In some cases—and this is particularly true of Government Departments—it is the practice to define responsibilities fairly rigidly and to prescribe in more or less detail the range of responsibility at each level. In industry it may be found that there is a greater tendency to relate responsibilities to the qualifications, initiative and ability of individuals rather than to rely on any code of regulations. On the other hand, in a lecture delivered a year or so ago Sir Oliver Franks ventured the opinion that, in this matter of pushing down responsibility to subordinates, large business concerns were not as good as Government Departments. Some contributors may want to dispute this statement.

Linked with all this, of course, is the important need to make the fullest use of ability and experience of every officer at every level. It is not only a question of organisation in the narrow sense, but is of the greatest importance in the training and development of juniors for higher command.

In the process of dividing activities into a number of component organisation parts and decentralising responsibility to a high degree and within each unit encouraging delegation to the maximum extent, there is created a problem of co-ordination—the need to bring the parts together again in proper relationship, to ensure that all the activities and all the functions are inter-related and harmonised to achieve the purposes for which the undertaking exists. Successful co-ordination is sometimes the

keystone to an efficient organisation. The secret of effective co-ordination is difficult to pinpoint, and defies definition. No organisation chart ever reveals how co-ordination is achieved; indeed, most charts can be grossly misleading in this respect. They show formal relationships between posts, but may obscure what is sometimes far more important: the other, the informal relationships between people. Effective co-ordination in some cases may be achieved more easily by putting senior executives in offices next door to one another or in the same office than by prescribing weekly meetings or the circulation of papers. The provision of a senior officers' lunch-room may well be a more effective means of integrating activities than any formal co-ordinating machinery.

The need for co-ordination is not restricted to the top of the hierarchy; it is necessary all the way down to the factory floor and the individual office. Collaboration between those responsible for a sequence or combination of operations at all levels is essential to the smooth working of any organisation.

This is a many-sided problem. In part it is the human problem of building up a team or series of teams of people who will work together harmoniously and in a keen spirit of co-operation. But nevertheless it is necessary to provide some co-ordinating machinery in the organisation of the undertaking. This is achieved to some extent by laying down procedures which ensure that there is adequate consultation and exchange of information between officials who are jointly concerned with particular activities and functions. Another device is a system of reporting which enables a senior executive to co-ordinate the actions of those responsible to him. But, on top of all this, it is invariably necessary to superimpose special machinery to supplement day-to-day or routine co-ordination, to tie up the loose ends, to resolve exceptional difficulties and to settle differences of opinion. And thus is born the bugbear of all large-scale activities—the co-ordinating committee. Possibly Government Departments use this system more than industry, and it will be helpful if the latter can contribute any ideas as to how the use of committees can be minimised by other organisation devices.

The difficulties of co-ordination are increased in geographic-

ally decentralised undertakings and where the activities of the enterprise cover the whole country or are scattered over a number of countries. It may be possible to describe some of the special co-ordination measures adopted in such cases.

Another question on which some enlightenment is needed is the question of optimum size—optimum size of the enterprise as a whole and of the parts into which the organisation has been divided. Has experience in the undertakings to be studied suggested that in particular activities there is a limit to total size, to the size of factories, of offices and of decentralised units beyond which there is loss of efficiency? Has any attempt been made to compare performance in units of different sizes with a view to determining future policy in this respect? Experience is also needed in the application of the idea current at one time that there was always a net gain in aggregating a number of small undertakings into one big one. There seems to be some doubt on this point in these days; at any rate, there is a greater disposition to balance the advantages and disadvantages and to recognise that although there may be some definite gains, there may be compensating losses.

Organisation was described as the “harmonious interrelation of functions and staff”, and much interest will centre on how this harmonious relationship is achieved. The limitations of the subject will not permit ranging over the whole field of personnel management, but it is hoped that it will be possible to learn how the staff and the organisation of activities are geared together. How, for example, can a staff which may number many thousands be made to feel an interest and a pride in the undertaking’s activities? What methods are adopted to disseminate information and secure that throughout the undertaking there is a full appreciation of objective? To what extent is there personal contact between those responsible for directing affairs and those on the periphery of the organisation, and how is this maintained? In short, information will be welcomed for the development of leadership and team spirit in large enterprises employing very large numbers of people, for without these no organisation, however well conceived, can operate successfully.

Where there are large numbers of employees the organisation

of the staff itself may present problems. No large undertaking can, in these days, ignore its responsibilities to its employees; it cannot hire and fire at will or as the affairs of the concern appear to require. To maintain an efficient staff which tends to become more and more specialised it is necessary to provide for careers, to organise training, to institute promotions systems and to develop the many other aspects of sound personnel management. In these matters Government Departments have perhaps had longer experience; indeed, a director of one very large company responsible for personnel once confided to me, rather ruefully, "We get more like a Government Department every day".

Turning to another aspect of organisation, provision must be made for some control of the results of operations. Whatever may be the purpose of the enterprise—whether it is to provide a service, or to make and sell a high-quality product at a price that will show a profit, or to carry out requirements of Acts of Parliament—it is necessary to introduce organised and progressive control—control over production, over expenditure, the timeliness of operations and to discover customer or public reaction to the product or the service. It will be helpful to hear on what basis this control is exercised centrally or operationally and how it is possible to maintain such control without interfering unduly with administrative decentralisation and delegation of authority.

Finally, in all undertakings it is no doubt necessary to review from time to time the various parts of the organisation and to adjust them to changing conditions and requirements. This may be a continuous process, but there may be occasions when it becomes necessary to undertake a stocktaking of the organisation and the methods employed over the whole field.

In the Civil Service this need for continuous attention to organisation and the value of a periodic stocktaking has been fully recognised. Every Department is now provided with an Organisation and Methods Service to help in the planning of new work, to provide assistance in remedying defects or flaws in the machine and to review at intervals the organisation of the whole Department.

Have industrial undertakings any ideas to offer as to how efficiency in organisation can be maintained? Has any form of efficiency audit been attempted and, if so, with what results?

Some of the elements and characteristics of large-scale organisation have now been suggested about which it is hoped to learn a good deal in this book. But the reader will be looking for more than cold factual information. Although organisation is becoming more and more a subject for scientific treatment, it is doubtful if it will ever be wholly scientific. The present-day organisation of the concerns being studied has in many cases grown up and been developed over many years. Each will have its own character and tradition; it will have been influenced by events and by the outstanding personalities who have worked in it.

No organisation—certainly no efficient organisation—is static; it develops and changes with experience and with the growth of the undertaking, and in the story of its history and evolution there may be many lessons to be learned.

May we hope, therefore, that these papers will not only describe organisation, but will say something of its growth and development and something of the philosophy the undertaking has developed on the subject?

There is, it seems, a lack of reliable information on the subject of large-scale organisations and a lack of broad understanding of the problems it produces. The empirical approach has been chosen; it is hoped that it may be possible to learn from the experience of those who have been associated with the development and growth of very large undertakings. We are grateful to the various bodies who have contributed to this book for the help they are giving to the study of this most important topic.

## THE IRON AND STEEL FEDERATION

by R. M. SHONE, C.B.E.  
(*Economic Director and Secretary*)

### *Descriptive Survey*

THIS paper about the Iron and Steel Federation will describe a type of organisation that is entirely different from any of the others included in this Survey. The Federation is an organisation intimately connected with manufacturing industry and closely associated with one of the major industries of the country. In some ways the papers on Imperial Chemical Industries and on Lever Brothers & Unilever may raise points of similarity, for these two papers alone deal with manufacturing industry. Even then, Lever Brothers & Unilever and Imperial Chemical Industries are organisations unified within the range of industrial processes which they cover. In contrast, the Iron and Steel Federation is not responsible for the financial operation of its constituent parts, the 500 firms which make up so great a part of this large industry. In the remainder of the series wherever a complete or very large range of industrial activity is under the limelight—for example, the Transport Commission—there is again complete responsibility within the one organisation for the whole of the activities, including full financial responsibility.

### *Firms and Collective Organisations*

Unlike the other companies or corporations, the Federation is not set at the top of a pyramid, whose base rests upon individual firms or upon the operating departments of the Federation; it does not issue orders nor control the firms. The concept of the Federation is quite different. Rather does it assume that the key unit in manufacturing industry is the firm or company and that collective action is best organised to supplement the efforts of the firms themselves, and may thus enable them to achieve greater efficiency as units, to avoid waste and so on.

In industry this need to supplement the activities of the key unit by collective organisation is already established, but it has parallels in other fields of human activity. A not too remote analogy is provided perhaps in the case of the family. It is socially essential that the family unit should have a feeling of real significance and responsibility. On the other hand, in the complex of modern civilisation it is equally clear that there is a need for collective organisations to supplement the functions which the family can render for itself. One example of this is education, but, of course, there will be many more. It is vital that these collective supporting organisations, designed to sustain and develop the efficiency and well-being of the family, should not be so extensive, centralised or dominating that the responsibility, the mutual loyalty and the identity of the family group are lost. Not unlike education in relation to the family, the Federation in relation to the steel firms is an organisation primarily existing to serve the industry, and is not an organisation which is in a position of authority over the firms in the industry.

In particular, it does not involve ownership of the firms within the industry. Although in some respects the Federation takes a wider view and approaches problems on a more comprehensive basis than does a single firm, in other respects it is narrower. This arises from the limitation of the boundaries of the Federation to a definite range of industrial processes—those marked on the left of Fig. 1. In the case of the firm there is no normal limit imposed upon its activities. Indeed, there is no natural physical division between the rolling of steel, machining it, bending and twisting it and fabricating it into manufactured articles. The firms may be solely engaged upon single processes or they may operate all or any of the processes that lie between the mining of ore and the building of bridges, motor cars or floating docks.

#### *Organisation on an Industry Basis*

The concept of an organised industry in relation to independent firms is important for the proper understanding of our industry or other manufacturing industries.

The Steel Federation deals with common services to such part

of the firm's activity as broadly falls within the definition of pig-iron making, melting of steel, hot rolling of steel and subsequently the cold rolling of steel into various shapes; and also with some of the more elementary shaping processes in relation to forgings, bolts and nuts, tubes and so on. Thus it deals, not with the total activities of a group of firms, or with a certain number of pieces in what might be called a jig-saw puzzle, but with all the parts of the puzzle with the same colour on them which will cover some firms wholly, and just part of the activities of other and larger firms. It is concerned with the common problems of specified ranges of technical processes.

The steel organisation diagram (Fig. 1) illustrates this point more clearly. Incidentally, it may be noted that the whole diagram is on a horizontal basis, thus avoiding any impression which might have been given, had it been drawn vertically, that the firms are on top of the Federation or the Federation is on top of the firms.

On the left-hand side the diagram is intended to indicate the 500 firms—this is an approximate number—which are engaged in the iron and steel processes covered by the Federation. Three firms, one large, one small and one intermediate in size, have been taken as examples, and it is shown in which iron and steel trades and in which industries outside iron and steel they are engaged. It need hardly be pointed out that there are countless other activities in which the larger (and often the smaller firms too) are engaged which could not be included on the chart—fencing, fertilisers and floating docks, to name only three of many.

### *Conferences*

The processes of production covered by the Federation are shown under the heading of Conferences and Affiliated Associations. The other trades in which firms may be engaged may in the whole extractive and industrial process precede iron and steel—such examples as the making of bricks, coke and so on—or may follow after the end product—as bridges, tools and many others.

The Iron and Steel Federation itself does not include certain trades such as iron castings, though this large industry came

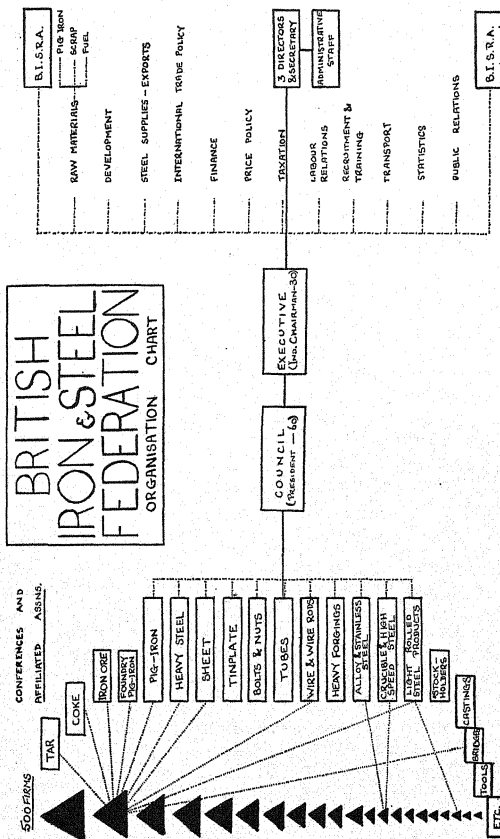


FIG. 1.

within the general supervisory purview of the Iron and Steel Board in its exercise of a trade supervision on behalf of the Government over the Iron and Steel Federation and its allied processes.

### *Council*

The Council of the Federation is elected by the eleven different product sections or Conferences into which the production of the industry is divided. These Conferences deal with common-user matters and the technical processes of particular sections of the industry, and they elect members on to the Federation Council in proportion to the net value of output of each of the Conferences. Fifty-two members of the Council are elected in this way, and normally eight non-Conference members are co-opted to enable individuals of outstanding position in the industry to be included on the Council, even though they may not be qualified by election through the normal machinery. The Council is presided over by the President of the Federation, and meets once a quarter. The president is normally an annual appointment by the Council, but in special circumstances, where continuity of office is particularly important, he may be re-appointed for a longer period.

### *Executive Committee*

The Executive Committee is the body mainly responsible for the operation of the Federation and for determining its general policy, subject to a quarterly report to the Council. A full-time Independent Chairman—Sir Andrew Duncan—presides over its activities. The Executive Committee consists of the President, Past-President and President-Elect, together with about thirty members appointed by the Council. The Executive Committee Members do not serve as representatives of particular sections of the industry, or of particular firms; they are Chairmen or Managing Directors, or Directors immediately concerned with major policy matters in particular companies, but they serve on the Executive Committee primarily as individuals; it follows that they are able to contribute to the guiding of the industry generally

from their wide experience and knowledge, often of many different aspects of the industry. The Committee normally meets monthly.

### *Federation Departments*

The Executive Committee appoints standing committees drawn from the industry to concern themselves with the main subjects stated on the right of Fig. 1 as Federation Departments. The staff of the Federation consists of three directors, the secretary and an administrative staff to serve each department of Federation activity. In the case of departments covering a wide field, such as that of raw materials, there may be a senior officer in charge of the group and an administrative officer in charge of each separate section—pig iron, scrap and so on.

### *Work of the Federation*

The type of work undertaken by these departments of the Federation may be illustrated by one or two examples—the transport section, for instance, has recently been concerned with assessing the needs for a special type of iron-ore wagon required for the expanding programme of home ore production, and at the appropriate level with discussions with the Transport Commission resulting in a programme of wagon-building to meet these needs.

The Development Section of the Federation serves the Development Committee, and has the benefit of technical experts of the highest standing drawn from outside as well as technical experts from the firms themselves. This committee also draws on the economic and commercial services of the Federation in assessing future demand, general and particular, for products and for particular parts of the country. This framework of technical and economic knowledge provides a background for firms to use when considering their own plans, and from time to time it results in suggestions for plans of a type not covered by proposals of any one firm. It was this organisation that in 1945 drew up the £240 million steel Development Plan which was approved by the Government and, with agreed modifications in the light of changing conditions, has now been partially completed.

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from their wide experience and knowledge, often of many different aspects of the industry. The Committee normally meets monthly.

### *Federation Departments*

The Executive Committee appoints standing committees drawn from the industry to concern themselves with the main subjects stated on the right of Fig. 1 as Federation Departments. The staff of the Federation consists of three directors, the secretary and an administrative staff to serve each department of Federation activity. In the case of departments covering a wide field, such as that of raw materials, there may be a senior officer in charge of the group and an administrative officer in charge of each separate section—pig iron, scrap and so on.

### *Work of the Federation*

The type of work undertaken by these departments of the Federation may be illustrated by one or two examples—the transport section, for instance, has recently been concerned with assessing the needs for a special type of iron-ore wagon required for the expanding programme of home ore production, and at the appropriate level with discussions with the Transport Commission resulting in a programme of wagon-building to meet these needs.

The Development Section of the Federation serves the Development Committee, and has the benefit of technical experts of the highest standing drawn from outside as well as technical experts from the firms themselves. This committee also draws on the economic and commercial services of the Federation in assessing future demand, general and particular, for products and for particular parts of the country. This framework of technical and economic knowledge provides a background for firms to use when considering their own plans, and from time to time it results in suggestions for plans of a type not covered by proposals of any one firm. It was this organisation that in 1945 drew up the £240 million steel Development Plan which was approved by the Government and, with agreed modifications in the light of changing conditions, has now been partially completed.

Some Federation departments deal with the common problems relating to supplies of materials to the whole industry—the Raw Materials Department—or with the supply of steel as between the various sections of the industry, or to the consumer. The latter is the work of the Production and Supplies Department. The claims of consumers are at present determined by the allocating machinery set up by the Government and operated through the sponsoring Government Departments—the Admiralty, the Ministry of Fuel and Power and others. The Production and Supplies Department is essentially concerned to see that these authorised orders are met, that any particular bottle-necks or difficulties in the placing of orders are sorted out and that supplies flow as smoothly as possible.

The nature of the work of the other departments too is largely self-evident. The newest is that of Recruitment and Training, which has been in operation for the past two years. It started by initiating schemes for the interchange of students and trainees in the industry between this country and industries abroad, and has since developed comprehensive recruitment and training plans for the industry as a whole.

In addition to the services rendered by the Federation Departments, which are advised by a Steering Committee drawn from the industry to ensure a practical and realistic guide to the work undertaken, there are two further associated activities.

*British Iron and Steel Corporation, Ltd.*

The Federation itself works to provide central services and to formulate policy, and is not, under its constitution, empowered to engage directly in any commercial transactions. When collective commercial action is considered desirable by the industry, it does, however, provide for the setting up of separate commercial organisations under the Executive Committee of the Federation, and in normal company form. The British Iron and Steel Corporation thus engages in the central purchase of imported steel and scrap, at present working in close conjunction with the Ministry of Supply. The Corporation has also a subsidiary—B.I.S.C. (Ore) Ltd.—to deal with the import of ore, and it is also concerned with the planning of forward supply of imported ore

to meet future increased needs. Close contact is maintained between B.I.S.C. (Ore), as the commercial buying body, and the Raw Materials Department of the Federation, which is concerned with assessing the interrelated demand for various materials to meet both long- and short-term steel requirements.

*British Iron and Steel Research Association (B.I.S.R.A.)*

At the lower end of the chart of Federation Departments is the British Iron and Steel Research Association, the central research organisation of the industry. It co-operates closely with the Department of Industrial and Scientific Research. The Research Association has direct relationships with the firms and with other scientific and similar organisations. It obtains its industrial finance from the Federation, and its Director is one of the three Directors of the Federation. He reports on the work of the Association at each quarterly meeting of the Federation Council.

*Iron and Steel Board\**

The Government-appointed Iron and Steel Board is not shown on the chart. It acts as a general supervisory body watching over the Iron and Steel industry inside and outside the Federation—for example, the iron and steel castings trades and drop forgings. The Board contains members drawn from management, labour, consumers and the Treasury, with a full-time Chairman, and is charged with supervising development, prices, imports, exports and other matters affecting the national interest. It is concerned with policy rather than with the detailed operation of the industry, but has full contact with each of the departments of the Federation, and access to the collective and individual statistical and cost returns which are used as a day-to-day basis of operation. In addition, it undertakes its own direct enquiries with firms upon the financial aspects of price control and development.

\* The Iron and Steel Board ceased to operate on April 1, 1949. Since that date its functions have been carried out by a new Division of the Ministry of Supply.

*Underlying Principles of the Organisation*

Having briefly outlined the organisational framework of the Federation, it will be in keeping to say something about the particular circumstances that govern the shape of the organisation.

*Functional or Staff Organisation*

First, the Federation is not a "functional organisation" in the sense that it attempts in any way to direct the carrying on of the primary functions of producing iron and steel or selling the various classes of iron and steel from pig-iron up to the various finished steel products. It is, on the other hand, a "staff or service organisation", supplying a service of an advisory nature. The twelve departments of the Federation shown in Fig. 1 are essentially designed to provide some common-user service of general benefit to a large number of firms. The departments are staffed by specialists in the particular fields of labour relations, economics, transport, costing, raw materials, etc., and on all these matters they are able, not only to co-ordinate and make general information available to the industry as a whole, but to represent the industry with other bodies (in discussions regarding the securing of adequate coke allocations, taxation matters, in drawing up general recruitment plans for the industry, organising the national scrap drive and so on). It may offer a fair picture of the industry to regard the particular firms as providing the functional organisation of production, and the Federation as providing a central "staff" organisation which gives specialised services on a whole-industry basis designed to contribute to the more efficient and progressive development of the industry.

*Co-ordination of Staff and Functions*

(a) *Common Top Policy Organisation.* In all activities where function and staff responsibilities are jointly involved there is the important question of the relative degrees of responsibility of the two approaches. In the case of steel there are a number of factors which help to enable the staff services of the Federation to inter-lock satisfactorily with the functional activities of the firms. In the first place, there is the ultimate dependence of the depart-

mental activities of the Federation upon the control and policy direction of the Executive Committee. The constitution of the Executive Committee, which is composed of Directors who are also concerned with the major policy of constituent firms, ensures the harmony of outlook as between the Federation and the firms.

(b) *Consultation at Departmental Level.* At the departmental level the specialised Federation staff report and operate under the guidance of standing committees for the subject-matters mentioned. These committees meet approximately once a month. Their membership is drawn in part from senior departmental officers of the firms concerned with the particular subject, and an attempt is made to secure a member from one of the firms in each main steel-producing district.

In addition to members of the committee having direct experience of the problems under consideration, there are normally two or three other members who are on the Executive Committee, who are thus in close touch with the policy of the industry as a whole. At Executive Committee meetings these members are able to deal with practical points arising from the work of any of the Departments of the Federation.

The existence of these committees thus serves the double purpose of guiding the departmental work of the Federation along practical and realistic lines, and through its membership it secures the support of the whole industry in carrying through their share of some common action, even where firms are not represented on the Committee itself.

#### *Powers of the Federation on a Voluntary Basis*

This matter may seem somewhat mysterious. The Federation has been said to have no powers, and it has been wrongly argued that in the last resort it is quite ineffective in securing the carrying out of some agreed policy; conversely and controversially, other critics say it over-centralises the power of the firms.

Certainly the Federation has no statutory powers in relation to firms and, indeed, it has never asked for, or wanted, anything in the nature of power to allow it to enforce complete membership within the industry, or to enforce any of its decisions on the firms. It is an entirely voluntary organisation. There are a

few special cases of firms who, for one reason or another, have not wished to join the Federation, and these have not become members, though in fact they have upon invitation co-operated in many of the common services, such as those of statistics.

It is the voluntary nature of the association, whose members belong to it because of the advantages to be derived from the common services it can provide, that gives it its strength. This prevents the Federation from assuming anything in the nature of a dictatorial or aloof attitude, in that the staff know that the action they take must be sound and must stand up to criticism from responsible and independent people in the industry. From the side of the industry itself, the constitution of the Executive Committee is such as to interrelate the Federation policy with the needs of the individual firms, and to encourage a loyalty to the Federation, so that members loyally carry out its decisions.

Very rarely, if ever, is there any real divergence between the welfare of particular firms and that of the industry as a whole, or of the best interests of the community. Exploitation is prevented, if it were possible, by competition between firms, and in this the Federation does not interfere; the control of prices and of development is exercised by the Government.

Further, there is the impartiality and ability of the officials of the Federation in their specialised spheres. This impartiality is of vital importance in, for example, recommending an allocation of a temporarily scarce material, and contributes to the general confidence of the industry in its Federation and the loyal observance of its policies throughout the industry.

### *The Organisation of "External Economies"*

Fundamentally the strength of the Federation derives from the benefits it affords. This does not take the form of restricting production or of enforcing high prices. The Federation has been quite willing to leave the question of price determination in Government hands. The benefits secured derive from collective services which members are unable so readily or economically to furnish for themselves, and by making available common information, not otherwise obtainable, with the aid of which they are able to make more effective and better decisions in their

own businesses. Indeed, the work of the Federation may well be described as what economists call the provision of "external economies" for the firms. It is my belief that there are many of these external economies which can be secured by co-operative action without in any way weakening the competitive drive of the individual firms towards efficiency. The provision of such collective services and the resulting yield in production economy is the primary purpose, and in it lies the primary test by which the Federation is measured.

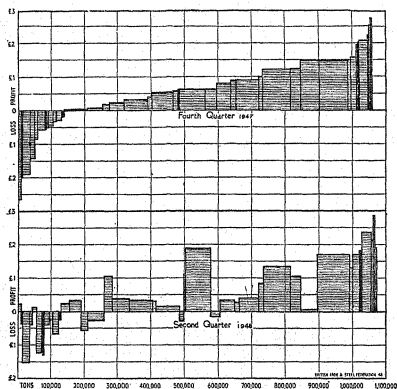
### *Decentralisation*

The last main point on this section is the question of centralisation or decentralisation—a problem at the root of most of the issues surrounding large-scale organisations, and a very real question in relation to anything so large as the organisation of Iron and Steel. In the case of an organisation built up on Federation lines, an essential feature is the retention of the financial independence of the firms—the retention of competition between the firms—the risks of survival or elimination. Absence of financial responsibility at the centre decentralises the direction of the firms.

### *Price Regulation*

One modification of competition is the extreme trade-cycle fluctuations to which the industry is subject, and this gives rise to the policy of price stability. This is not an absolute policy, but is a general description of a tendency to prevent the price of steel rising in times of great demand and falling in times of depression. In the past there have been occasions in this and in other countries when demand has fallen to something like 25–35 per cent. of capacity. Experience has shown that the demand for steel in such conditions is relatively inelastic, and no adjustment of price can avoid the tremendous fall in demand which takes place when there is a general trade recession and a widespread lack of confidence in future investment. The steel industry believes, and it is not alone in this belief, that the way to correct violent trade fluctuations is not by equal or even more violent fluctuations in price, but by some other attack on the question of trade fluctuations.

Equally, price regulation operates in periods of high demand, such as those of the past two or three years; the accumulated demands for re-equipment, exports and so on, combined with a limitation of supply through the inability to carry on with development work during the war period, have arrested an abnormal demand for steel in relation to supply.



MARGINS OF FIRMS (before charging depreciation) for home deliveries of SOFT BASIC BILLETS, PLATES, SECTIONS AND RAILS.

FIG. 2.

The Government policy of controlling steel prices, keeping them down to a level closely related to the costs of efficient production, continued this policy and reduced the excess of demand by means of rationing.

The principle at present adopted by the Government and accepted by the industry is that prices of steel should be fixed at a level which will ensure the bringing into operation of new plant at a reasonable rate. Such a price policy, based upon the competitive long-term price, as distinct from the much more flexible short-term price, is the policy to which the industry is working at the present time.

*Competition in Costs and Output*

The existing price controls stimulate full competition between firms, and this will be seen from Fig. 2, which shows the margins earned for profits before charging depreciation for

## STEEL PRODUCTION, 1948

Firm No.						Per cent. increase or decrease over
						1938.
1	.	.	.	.	.	+67.8
2	.	.	.	.	.	+30.2
3	.	.	.	.	.	+28.8
4	.	.	.	.	.	+64.3
5	.	.	.	.	.	+33.4
6	.	.	.	.	.	+50.1
7	.	.	.	.	.	+37.8
8	.	.	.	.	.	+69.8
9	.	.	.	.	.	+52.7
10	.	.	.	.	.	+ 9.0
11	.	.	.	.	.	+48.2
12	.	.	.	.	.	+16.5
13	.	.	.	.	.	+21.7
14	.	.	.	.	.	+49.5
15	.	.	.	.	.	+ 3.9
16	.	.	.	.	.	+75.7
17	.	.	.	.	.	- 6.7
18	.	.	.	.	.	+86.9
19	.	.	.	.	.	+36.2
20	.	.	.	.	.	+30.2
21	.	.	.	.	.	+47.5
22	.	.	.	.	.	+55.9
23	.	.	.	.	.	+14.6
24	.	.	.	.	.	+40.8
Other firms	.	.	.	.	.	+64.1
Total U.K.						+43.1

each of the firms in the heavy steel industry for two recent quarters. The firms have been listed in the same order in each section of the chart, first showing the position in the December quarter 1947—firms being listed in order from those showing a loss at the left-hand end to those showing the biggest margin at the other end. The results for the same firms six months later are shown in the second part of Fig. 2. Since the average margin of profit and depreciation on these particular products is

barely 5 per cent., it will readily be seen how quickly a profit can disappear if there is the slightest slackening of efficiency in a firm, or, of course equally, if there is any temporary misfortune or curtailment of output which adversely affects results. Equally, it will be seen how other firms have managed to improve their position, even within a six months' period.

As other evidence of the complete flexibility as between firms, some growing rapidly partly by reason of facilities for expansion such as sites or other physical factors, the figures provided are of interest as showing the change of output of the companies listed in order of size over the past decade. It will be noted in passing that the small firms have in fact increased their output by a larger percentage than on the average for the bigger firms. This has a good deal to do with the fact that on the whole the small firms tend to specialise in some of the newer special steels which are not so easily produced in bulk, whose consumption has expanded rapidly over recent years.

### *Competition and Co-operation*

Deliberate reference has been made to internal competition within the industry, as this competition is the main discipline against which managements work, and it is this discipline and the risk and responsibility that go with it which are believed to be vital if managements are to continue to be effective and responsible and to avoid any excessive volume of detailed work and responsibility at the centre.

Nevertheless, competition by itself is not enough. The units in modern industry are so large, the time of building new works runs to so many years, that decisions can no longer be taken blindly on a trial-and-error basis. There must be the maximum degree of knowledge and careful examination of future markets and other developments taking place in the same field, the fullest availability to everyone of modern research, and even beyond the pooling of knowledge within an industry, there must be the interchange of information as between different industries—between the steel industry and the Coal Board on future coal and coke supplies, with the railways on new transport and harbour facilities, with the consuming industries on probable

trends in their requirements. All this leads to something different from the old concept of private competition to something which may perhaps be called public or open competition.

### *Public Competition*

A fundamental discipline of management is the competition between firms, but this can no longer be conducted secretly or in private; it must be conducted publicly. Public knowledge is needed as between firms and through the Press to the community at large. Such knowledge is made available directly to the Government through an appropriate organisation—the Iron and Steel Board.

### *Historical Continuity*

The whole structure of the Iron and Steel Industry is not the result of sudden growth. There is no doubt that the organisation had its original foundations in trade associations designed to protect members from the blasts of severe competition, as well, of course, as to provide some common services of an elementary kind. Increasingly, however, the constructive functions of the Federation have been emphasised and developed, while functions which might be regarded as restrictive have either been abandoned or brought very properly under public regulation.

The great step forward was taken in 1934 in the change-over of the Federation to a more active policy of building up an organisation which could give constructive leadership and services to the industry. When the British Iron and Steel Federation was formed it took the place of an earlier and more limited organisation. The Government of the day gave the Import Duties Advisory Committee the responsibility of watching over its progress and the general development of the industry. The work of the Import Duties Advisory Committee constituted the forerunner of the Iron and Steel Board, established by the present Government in 1946; with its considerably larger whole-time staff the Board was able to give in the wider national context very close attention to the main problems affecting the iron and steel industry.

*Summary*

The general ideas behind the organisation of the iron and steel industry consist in the contribution which three different factors can make to the efficient operation of industry.

First, there is the commercial responsibility, competition and risk-bearing of independent company units. The severity of this competition should not be diminished if it weakens good management or means that managements do not feel the direct responsibility to the public for the results of their company—as might well be the case if they were a subsidiary section or branch of a larger central organisation dependent on funds supplied in the last resort by the State.

Secondly, competition can no longer be conducted privately or secretly in many of the major industries of the country. There is a need for an efficient and effective common service organisation which will provide firms with the fullest possible knowledge of current activities, studies of development and assessment of future prospects; it must enable common action to be taken regarding supplies and relations with other bodies, where such action is demanded by these bodies or can be more conveniently and efficiently taken centrally than by each firm separately.

A third feature is the public supervision of industry. It is recognised by all schools of thought that in the future the State must assume direct responsibility for maintenance of something approaching a full-employment policy. This will involve greater knowledge of the whole position of industry, and may well necessitate intervention in industrial matters, not in a detailed way, but at least in influencing the general policy of main industrial groups. Public supervision may also be necessary to see that a proper balance is maintained between the competitive discipline imposed on firms and the economies or benefits they are securing from collective organisations established in different industries.

In the type of organisation that has been described power is balanced at various points. Some critics have made play with the fact that there is this division of power, and may want to see all control and responsibility centred in the State. This, surely,

is a grave mistake. It is recognised by many people, of all shades of political opinion, that the Government must find a technique for guiding and, where necessary, intervening in industry, but it is vital to find some way of doing this which does not involve the over-centralisation of power, responsibility and risk-taking.

It is in securing this balance between central guiding of industrial policy, common services to industry and competitive action between firms that the steel industry has a very great contribution to make to the whole question of industrial organisation. This contribution could be one of the greatest value, and whatever may be the political future of this country it is unthinkable that the experience gained will be wholly thrown away.

## THE MINISTRY OF NATIONAL INSURANCE

by B. C. OADES  
(Assistant Secretary)

IN his introduction to this book Mr. Simpson found it possible to pose so many interesting questions under the definitions of "organisation" he then adopted that it would seem best to accept them for this paper also. These definitions of "organisation" were :—

"A means to concerted human endeavour" (Alvin Brown).

"The harmonious interrelation of functions and staff" (G. E. Milward).

To complete the introduction, the purpose and size of the Ministry of National Insurance need to be stated. Its schemes are administered under three Acts: the Family Allowances Act, effective from the 6th August, 1946; the National Insurance (Industrial Injuries) Act and the National Insurance Act, effective from the 5th July, 1948. In return for regular weekly contributions, the Ministry provides cash benefits during sickness, injury, unemployment and widowhood; payments at childbirth and at death, and pensions on industrial disablement and on retirement from regular work. It also pays Family Allowances. Family Allowances are non-contributory; the money for insurance benefits comes partly from compulsory weekly contributions from the insured and from their employers (if any) and partly from general taxation. The contributions are credited to the National Insurance Fund and the Industrial Injuries Fund, and insurance benefits are paid from these funds. It is true that up to 10d. from the weekly contribution is paid over to the Health Service and that some insurance benefits are paid on the strength of medical certificates issued under the National Health Service, but National Insurance is *quite a separate scheme from the National Health Service*. National Insurance provides cash benefits; the National Health Service provides medical, optical, dental and other benefits in kind. Then, to round off

the schemes of Social Security, there is the National Assistance Act to help persons who, for one reason or another, do not qualify for benefits under the National Insurance Acts. National Assistance is the job of the National Assistance Board, though the ultimate responsibility to Parliament rests with the Minister of National Insurance.

In general, everyone living in Great Britain and being over school-leaving age is insurable under the National Insurance Acts. There are about 25 million insured persons (excluding married women covered by their husband's insurance).

Sickness benefit is the most frequently claimed benefit—about 7 million claims annually and  $\frac{3}{4}$  million payments per week. There are also  $4\frac{1}{2}$  million pensioners—retirement, widows' and orphans'. Family Allowances are paid to 2.8 million families in respect of 4.1 million children, and the claims under the Industrial Injuries Act are at the rate of about  $\frac{3}{4}$  million per annum. Altogether more than 8 million payments are made per week.

Some of this was done before there was a Ministry of National Insurance. The country has, in effect, nationalised the Approved Societies previously paying sickness and maternity benefits; taken over contributory old age, widows' and orphans' pensions from the Ministry of Health Insurance Department; taken over responsibility for unemployment benefit; increased the rates of existing benefits and provided allowances for dependants; substituted a new system of industrial injuries benefits for the Workmen's Compensation Acts and introduced allowances for the second and younger children in all families.

There were over 6,000 Approved Societies, but they varied considerably in size, in organisation and in methods; and there were differences in the rates and types of benefit they paid. In size they ranged from Societies with less than fifty members to Societies with over 4 million members. Some were highly centralised; others very much the reverse. Some were staffed almost entirely by full-time officials; others relied mainly on part-time assistance, sometimes voluntary. Outside these Societies, either because they failed to apply to enter or because their applications were refused, were about 800,000 persons whose

insurance affairs were dealt with through special funds administered by separate branches of the Ministry of Health Insurance Department, acting, in effect, as Approved Societies. This was a centralised administration, both for collection of contributions and payment of benefit.

The Ministry of National Insurance is a mixed organisation. It has a comparatively small headquarters staff in London to direct policy, and large central offices to authorise and pay Family Allowances and pensions and to keep the insurance records of the whole community. But nearly two-thirds of the total staff of 38,000 are scattered around the country in offices large and small, so as to give that personal and individual touch on which great emphasis is placed.

The largest aggregation of staff is at Newcastle. In Longbenton, three miles from the centre of the city, and on a site of sixty-four acres, sixteen one-storeyed interconnected blocks of brick-built offices have been erected that house 7,000-8,000 staff, of whom 80 per cent. are Tynesiders. There are Regional Offices in all recognised Regional towns (two in London), 976 Local Offices and 214 part-time sub-offices.

In addition, the Ministry is glad for the present to accept the assistance of other Government Departments as agents for some of its work. The Assistance Board was a great help at a time when the Ministry had only a few Local Offices, and the Ministry of Labour still pays all unemployment benefit. There is also the advantage of sharing the services of some Medical Boards with the Ministry of Pensions.

### THE NATURE OF THE WORK

The work taken over by the Ministry from Approved Societies is divided as follows :—

*Collection of Contributions.* Decentralised. Stamped cards are exchanged for next year's cards at Local Offices. Most Approved Societies had arrangements for exchanging health insurance cards locally, and unemployment insurance cards were also exchanged locally (at Employment Exchanges).

*Recording of Contributions.* Centralised at Newcastle. For every insured person there is a ledger account showing

the number of contributions paid for each year, the number of credits given in respect of weeks of sickness or unemployment for which no contribution is payable and the Local Office at which benefit was last claimed. The large Approved Societies also had centralised records.

*Acceptance and Determination of Claims to Sickness and other Short-term Benefits.* Decentralised. The determination (decision as to entitlement) is made in Local Offices on contribution data obtained from the centralised ledger accounts. Benefits paid are not notified to Newcastle; the line is contribution history at Newcastle, benefit history at Local Offices. This is a greater decentralisation than was usual with large Approved Societies. They often accepted claims locally but determined them centrally.

*Payment of Benefit.* Decentralised, as was the case with most—but by no means all—Approved Societies.

Similar work taken over from the special Departmental “funds” previously mentioned was wholly centralised until April 1947. But from then payment of benefit was decentralised to the first Local Offices; there were forty-three of these pilot offices—experimental grounds for the large-scale decentralisation that was to come later.

Then there is the pensions work taken over from the Ministry of Health Insurance Department, the Department of Health for Scotland and the Welsh Board of Health—old age (now retirement), widows’ and orphans’ pensions. That work was done in three centralised offices—one in England, one in Scotland and one in Wales; and it still is.

The allowances for dependants now added to sickness and other benefits are, of course, dealt with locally as part of these benefits. The industrial injury work is divided between the Local Offices and Newcastle—the short-term injury benefit (covering the first twenty-six weeks) is decentralised to Local Offices on the same lines as sickness benefit; the long-term benefits are centralised, following the line adopted for other pensions. Family Allowances—another long-term benefit (though not an Insurance benefit)—is also centralised at Newcastle.

The broad line of organisation therefore is : policy in London; long-term benefits and all contribution records at Central Offices; short-term benefits from Local Offices.

The Ministry is, of course, bound by the provisions of the Acts it administers and the sixty sets of Regulations made under those Acts. The Acts provided that most of those Regulations should be submitted to the National Insurance Advisory Committee (or the Industrial Injuries Advisory Council), who would give opportunity for all interested parties to represent their views to the Committee. Each of these draft Regulations when submitted to Parliament had to be accompanied by the report of the Advisory Committee and a statement showing whether the Minister had accepted the recommendations of the Committee. If any recommendation had not been accepted, the reasons had to be stated. As a further check on delegated legislation, the more important of the Regulations required an Affirmative Resolution of both Houses. These Advisory Committees continue to advise the Minister on matters submitted to them.

### THE MAIN FEATURES OF THE ORGANISATION

The bare bones of the Ministry's organisation are shown in Fig. 3. As will be seen, there are at headquarters the usual Departments for Establishments and Organisation, Finance and Legal. In addition there are four Insurance Departments, plus a Chief Medical Officer, a Controller of Central Offices and a Chief Insurance Officer. Their responsibilities are described very briefly on the chart. It will be noticed that—

Insurance Department A covers Industrial Injuries and Family Allowances.

Insurance Department B covers Health and Pensions and Unemployment Insurance.

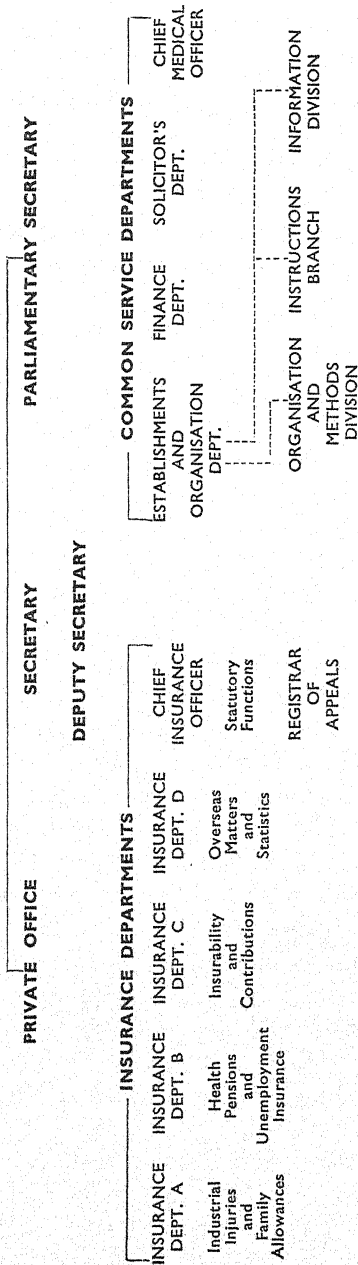
Insurance Department C covers Insurability and Contributions.

Insurance Department D covers Overseas matters, including reciprocal arrangements with other countries, and statistics.

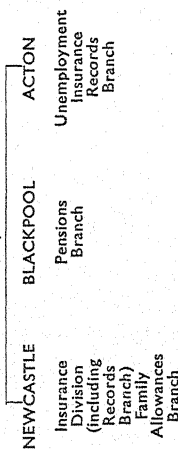
These Departments are responsible for policy in their several

# ORGANISATION OF MINISTRY OF NATIONAL INSURANCE

MINISTER



## CONTROLLER CENTRAL OFFICES



## REGIONAL ORGANISATION

FIG. 3.

fields and for the technical procedures necessary to carry that policy into practice.

The post of Chief Insurance Officer results from the provisions in the Acts that most questions as to the right to benefit are to be determined not by the Minister, but by "Insurance Officers". These statutorily independent Insurance Officers are advised by Regional Insurance Officers and the Chief Insurance Officer, and may refer points of doubt to the same local tribunals that will also decide appeals by claimants against the decisions of Insurance Officers. From these tribunals there are rights of appeal to the National Insurance Commissioner or his Deputy. The Insurance Officer is not a new idea; a similar practice has worked well for many years in the field of Unemployment Insurance tillied by the Ministry of Labour and National Service.

The Registrar of Appeals, shown on the chart, collects and passes on to the Referees appeals against decisions on Family Allowances, and such pension cases as arise under the old Acts or the transitional Regulations. He does not deal with appeals against decisions under the new Insurance Acts. These are heard by local tribunals.

The responsibilities of the Finance Department, Legal Department and the Chief Medical Officer are perhaps sufficiently indicated by their titles.

The Director of Establishments and Organisation has an over-all responsibility for the organisational health of the Ministry and the general running of its offices. He is supported by Assistant Secretaries covering the normal Establishment (personnel) functions, plus another Assistant Secretary in charge of the Organisation and Methods Division, and a Chief Information Officer. The Instructions Branch, also shown separately on the chart, is responsible to the Assistant Secretary in charge of one of the general Establishment Divisions.

At the Central Offices in Newcastle and Blackpool there are separate Branches for awarding and paying Family Allowances, Retirement Pensions, Widows' Pensions and Guardians' Allowances (Orphans' Pensions); for the Central Index and record of insurance contributions of every insured person; for prosecutions and for such specialised matters as bankruptcy, mercantile marine,

allowances for lost and destroyed cards, etc. The Newcastle Finance Branch pays the monthly salaries, travelling expenses, etc., of all Ministry of National Insurance salaried staff and the weekly wages of Newcastle staff; does the accounting for payments of benefits by postal drafts issued from Local Offices; examines and collates the monthly accounts of all Local Offices, etc.

The Establishment Branches in the Central Offices have autonomy within the policy laid down at Headquarters. They maintain their own staff records and make their own promotions of temporary staff.

At Acton are housed the records of Unemployment Contributions paid under the old scheme plus the records of National Health Insurance contributions paid by members of the larger Approved Societies. Reference is still necessary to these for some purposes.

The separate Pensions Branches for Scotland and Wales at Edinburgh and Cardiff were inherited from the Department of Health for Scotland and the Welsh Board of Health.

The Controller of Central Offices has an over-all responsibility for all work done in them. He exercises that responsibility without forming a bottle-neck. Heads of Divisions and Branches in the Central Offices communicate direct with Headquarters on many matters, but keep the Controller informed on all matters of sufficient importance. Regional Controllers work on similar lines. Their Local Offices refer to Assistant Regional Controllers according to the subject matter at issue, and the Assistant Regional Controllers and Deputy Regional Controllers refer to Headquarters Branches as necessary.

During a visit to the United States in 1947 it was found that the same principles applied in their Social Security Administration. It was set out in an Order of which Mr. W. L. Mitchell (then the Acting Commissioner) wrote :—

“ More heat, and we are sometimes inclined to think, less light, have accompanied arguments in regard to this Order than any one other Order ever issued by the Board. . . . Several revisions of the Order have been made, but for the last few

years all have been willing to let the concept of Washington-Field relationships be slowly tempered in the furnace of experience. On certain basic points the pattern has taken shape. . . . The Regional Director exercises administrative supervision over all Board activities in the field. . . . Two types of forces have operated to weld each Regional staff into a unit. Propinquity and the sharing of common experiences, meeting problems together, and perhaps even working out a good story on the reason for regional variations from a national pattern have helped considerably. Also the strength, personality and constructive leadership of the Regional Director has probably been of greater importance in developing regional relationships and morale than any number of Administrative Orders and functional charts."

Coming back to the Ministry of National Insurance, the regional organisation has 1,000 Local Offices reporting to twelve Regional Offices, and inspected by Regional Survey staffs.

As may be imagined, there was considerable difficulty in getting premises for these local offices. Indeed, it was by no means easy for the Ministry of Works to find the forty-three pilot offices opened in April 1947 as experimental grounds for the large-scale decentralisation that was to come later.

The organisation illustrated in Fig. 3 will naturally call to mind what my senior assistant in Newcastle calls "that blessed word co-ordination". (He is a Welshman, and it is never quite clear whether he uses the word in its Biblical sense or as a euphemism.) Anyhow, co-ordination is a problem, and it is not pretended that a completely satisfying solution has yet been found to it. At and near the top reliance has been placed upon well-tried methods—day-to-day contacts in a team working for the same end, and conferences. Day-by-day contacts have been made more difficult to achieve by the spread of the Headquarters Offices over so many buildings in different parts of London. Conferences seem to grow in any soil and at any altitude, but sometimes they bear good fruit—at least, that has been the experience in the Ministry of National Insurance.

Weekly conferences of Under-Secretaries are held by the

Secretary; there are monthly conferences between Regional Controllers and Assistant Secretaries (according to subject) with the Deputy Secretary in the chair, and Regional Controllers arrange conferences with their Local Office Managers.

For the guidance of the staff generally, the Instructions Branch, in collaboration with the Insurance and other Departments, have prepared a series of Codes. They are handy loose-leaf productions of quarto size, each starting with an explanation of its purpose and proceeding to detailed instructions. A series of circulars corrects or amplifies each Code pending amendment of the Code itself. Instructions from all Headquarters Branches are issued from Instructions Branch. They are comprehensive, but do not purport to cover every case. Supplementary instructions may be issued by Regional Controllers, but these are kept to a minimum, and must neither vary, qualify nor interpret Headquarters instructions. Complementary to these is a series of "Information Memoranda", each of which gives in very readable form a general picture of some part of the scheme or organisation.

By these means endeavour is made to co-ordinate activities and secure consistent treatment of insured persons similarly circumstanced, however far they are geographically separated. But in matters of procedure, although uniformity is maintained on matters of real importance, it is not insisted that all i's should be dotted at the same spot, or all t's crossed in the same way. Experiments under proper control are not only allowed, they are often officially sponsored.

Experiments in decentralisation appear to have been successful so far—including the delegation of establishments (personnel) work to Central and Regional Offices, which work is usually one of the last strongholds of centralisation.

### FACTORS AFFECTING ORGANISATION

It is worth while to mention other characteristics of the organisation of the Ministry of National Insurance and the considerations that led to the paths chosen. They are numerous, but for most of them a few words on each will be sufficient. No attempt will be made to apportion their relative weights.

Much was learned from the experience of the Approved Societies, Government Departments, etc., that had administered similar schemes for many years before the Ministry was born. It was not a case of just copying what they did, for the conditions were different in some material respects. There was regard also for the advantages that accrue from not making too many changes at those points where the co-operation of the public was needed. In some respects, too, the Ministry was tied by the fact that contributions under the old scheme counted under the new scheme, and this involved reference to Approved Societies records. That meant, for instance, the construction of insurance numbers that would tie up with Approved Society membership numbers. For example, a National Insurance number could be AH221364A. The starting units "AH2" indicate the Approved Society, and "21364" the membership number in that Society. (The "A" suffix indicates the insurance year—but reference will be made to that later.)

The decision not to continue to use Approved Societies was, of course, a political decision. Although many Societies were opposed to the decision to exclude them from the working of the new scheme, yet, after the decision had been taken, they all co-operated wholeheartedly in the difficult task of carrying the transfer through, and negotiations for the transfer of assets (many millions of pounds) and thousands of staff went very smoothly.

Returning to the political and historical considerations that affect the organisation, it is of interest that there are separate central offices in Edinburgh and Cardiff because the pensions work for Scotland and Wales had previously been centralised there. That consideration did not apply to Family Allowances, which work is wholly centralised at Newcastle.

The need for consistent decisions on the same data has already been mentioned, and it, too, has roots in political soil. There is, no doubt, a good case on grounds of equity and fair dealing for aiming at securing that the same contribution yields the same benefit anywhere in the country—but mark the words "aiming at". The tolerance almost disappears when one is bound by statutory provisions as in the Ministry of National Insurance, but

the greater the tolerance the more the power that can be decentralised, and the better the chance of getting a simple organisation. This is, of course, a matter of common interest to all Government Departments.

An important consideration affecting the allocation and grouping of work is the desirability of a distribution of work that minimises the need for co-ordination. If to do this, or for any other reason, changes have to be made, they should be made gradually and experimentally, if possible. When the 6,000 Approved Societies were taken over this was not done overnight. The job was spread over many months, and it was started experimentally with the smaller units. By 5th July, 1948, when the new scheme started, the job had been done.

Size may also make it desirable to split the job, for example the annual exchange of insurance cards. The new insurance cards are exchangeable in four batches of 6 or 7 million each in March, June, September and December. The suffix to the National Insurance number indicates the date for exchange.

The size of the job should also help to determine whether or not the work should be decentralised. If the same considerations apply to (say) 10 million cases per annum, then decentralisation is worth examining. But if there are only to be (say) 100 cases each year, then it is probably wiser to deal with them centrally—as is the case of insurance questions arising from bankruptcy. Similarly, the scales are loaded in favour of centralisation where a medium-sized job is of high complexity.

For the medium and large-scale jobs the question arises, Can they be *usefully* mechanised, and, if so, will it be cheaper to do the job centrally? It is not always so. The Newcastle office is highly mechanised—using punched-card machines, pneumatic tubes, addressing machines, inserter-sealers and other mechanical aids. Some of the operations concerned are centralised to obtain the economies of mechanisation, but there are other factors too. Mechanised operations save time, and that is important, particularly in dealings with sick people.

Another problem is presented when the size of the job varies seasonally, like the sickness benefit load. That problem can be

solved—or eased—by making other work seasonal at other times and by an appropriate time-tabling of staff training.

The Ministry of National Insurance exists to meet human needs that arise when illness, unemployment or death has cast its shadow over a home. The aim is to do something more than merely satisfy the economic need; the endeavour is to satisfy the economic need speedily and in a sympathetic manner. A meal in a “good pull-up for carmen” may be as sustaining, but it is not as satisfying as a meal at Simpsons in the Strand. To secure this something extra, this personal touch, it was decided that most of the staff should work in Local Offices and that these offices should be as widely spread as possible.

The Local Offices are the places where the Ministry earns most of its goodwill—and some criticism. They are the most important of the various establishments from the point of view of the public. The Local Offices vary in size from small offices with staffs of half a dozen to large offices with staffs of 100 or more, and they therefore vary in organisation lay-out. The most usual staff complement is about twenty-five to thirty, and in these offices there are generally three sections, viz. :—

(1) The Records Section, which receives the claims to benefit, puts them into file covers and prepares in skeleton the forms on which decisions will be recorded.

(2) The Benefit Section, which makes any necessary enquiries and decides what amounts should be paid.

(3) The Cashier's Section, which makes the payments.

Sick visitors go out from these offices, and other officials also visit the homes of clients when that course is likely to save time or be more helpful to the claimant.

In the days of the stage-coaches, when people lived and died where they had been born, these Local Offices could have been made self-sufficient. Modern transport has considerably increased the chances that an applicant for benefit will have made his previous claim in a different locality. The population is more mobile; lodgers go home when sick; people become ill when away on holiday; and, when they are at home, the nearest office is not always the most convenient. And in a small percentage of

cases attempts are made to get benefits from two or more offices at the same time. All these considerations point the need for Local Offices to rely on centralised records. Modern transport not only makes this necessary, it also makes it practical—at any rate for the purposes of the Ministry. When a claim to sickness benefit is lodged, the Local Office sends a machine card to Newcastle punched with holes to show the Local Office code number and part of the insured person's National Insurance number. [It is lamentable that one out of every three or four claimants still fails to quote his National Insurance number.] These cards are mechanically sorted and sent by pneumatic tube to the appropriate Ledger Section for the replies to be added to the cards, which are then sent by pneumatic tube to the Despatch Room. There they are mechanically sorted on the Local Office code number and despatched. Ninety-two per cent. get back to the Local Office of origin within four days of leaving there. That means that they are back before they are needed.

Sickness benefit cannot be paid until a second medical certificate is received, for that is the first evidence that sickness has lasted more than one day. Thus a period of notice is given that sickness benefit will become payable—generally a week's notice. For Retirement Pensions there is generally a much longer notice—the event is foreseeable—and that is one reason why pensions work remains centralised just as it was when it was taken over.

Nor would it have been wise to put too many varieties of new work on to Local Offices in their early days. There are limits to the amount of new knowledge that the human brain can acquire within a given period. So it is unwise to decentralise everything at once.

Organisation should also allow for growth of the business itself. In drawing up plans regard has been paid to 1958 as well as to 1948. Some of the arrangements are better fitted to future loads than to the much smaller number of people for whom so far benefit files have been opened. But if you "plan small" and grow big, the time comes when a change of system is necessary for full efficiency, but may be impossible by reason of the dislocation it would cause. Every effort has been made to avoid this possibility.

Flexibility is another aim, and preparations are made for possible changes to known alternatives—e.g., more decentralisation when the Local Offices have settled down sufficiently to take it.

There have already been several changes. Since 1945 the number of Departments (an Under-Secretary's charge) and Divisions (under Assistant Secretaries) at Headquarters has been increased, but the picture is not one of simple growth. The life-span of some Divisions was short; they were set up to produce specified results, and they died when that was done. (For example, one Division planned the take-over of Approved Societies in collaboration with an Advisory Committee of Approved Societies officials; another recruited staff from these Societies and from other Government Departments.) The personnel of dying Divisions were snatched away to form new Divisions, some of which still survive. For, as planning proceeded from broad principles towards procedure, each subject outgrew the earlier span of control. Thus the one Division that once covered both "Health and Pensions" insurance had to be split well before it could celebrate a birthday.

Organisation must take account of the human element. In the top ranges that would seem to mean taking account of personalities. At and near the top of large-scale enterprises there should be—and there generally are—forceful men who will insist upon carving out their own bailiwicks. They should be men "big" enough to reduce their loads if these prove too large or too mixed.

Throughout the organisation great efforts are made to place the staff in the jobs for which they are best equipped—to put square pegs into square holes. At Newcastle aptitude tests were used to discover the sort of work for which individuals recruited locally were best suited. Work was also planned with one eye on the need to use a large proportion of inexperienced staff.

It is to be expected in new enterprises that the range of a person's duties will be increased as he gains experience. That has happened in the Family Allowances set-up. The work was serialised so that new recruits could quickly master one phase; later one person covered what had been two opera-

tions. The first organisation was built on the moving-belt system, with cases of any difficulty side-tracked to "Query Officers". Gradually there has been a change towards an "organisation of cells", each tackling all the problems of its own cases. Serialisation has been reduced as the staff have gained experience. Increased scope makes work more interesting. This increased scope can be given precisely in proportion to the quality and experience of the staff.

Considerable care has been taken to foster staff enthusiasm in the adventure. The Minister, the Parliamentary Secretary and the Parliamentary Private Secretary have visited large numbers of offices, and have done their best to get to know the staff as men and women as well as officials. And throughout the life of the Ministry, the Staff side of the Departmental Whitley Council have been kept informed of the plans that were being formulated. They were given advance information of the set-up, expected loads, grading, etc., and this has paid good dividends, for the Staff side—though by no means always agreeing with the Official side—have done much to help launch what is perhaps the biggest social experiment of our time.

Suggestions are encouraged from all levels. There are eight Staff Suggestions Committees in being at Headquarters, the Central Offices and the Regions; nine others are being built up. By 30th November last they had received 1,380 suggestions and adopted 264 of them. A suitable note is made on the personal file of every suggestor who submits an idea judged to be worthy of such commendation, whether or not the suggestion is, in fact, adopted. Quite recently it has been arranged for small monetary awards to be made in suitable cases.

No satisfactory method of measuring office loads has yet been evolved, but there is a yardstick used for limited purposes and as a very rough-and-ready pointer for further investigation. It is the ratio between the staff of an office and the number of payments it makes. Later on, as experience is gained of a job that only started six months ago, it is expected that a considerably improved method of measurement will be found. It is also expected by then to have the data upon which to form a considered opinion about the optimum size for local (and other) offices. Mean-

while, the Ministry is on the lookout for ways of improving organisation and methods. Under the guidance of a Steering Committee with the Permanent Secretary in the chair, the Organisation and Methods Division is surveying some Branches of the Ministry and examining selected procedures.

### CONCLUSION

To sum up, the Ministry of National Insurance is a new Department, approximately four years old, that has recently launched new schemes of great magnitude closely affecting the lives of almost everyone in the country. It has taken over some of this work from existing agencies and added more. In planning its organisation the Ministry sought to apply to new conditions the experience gained by its predecessors. It was naturally subject to the policy of the Government and affected by other considerations, which included the advantages of minimising the need for co-ordination and of making changes gradually. It had regard also to the size and complexity of different jobs, and whether they should be mechanised. Its organisation was designed to supply the need for personal contacts and to take account of the mobility of the population and the desirability of flexibility to meet future developments. The organisation is partly centralised and partly decentralised, but has not yet reached its final form. The Ministry's organisation has stood up to the stresses of the first six months of operation, but there is little self-satisfaction, and it is realised that it would be nothing short of a miracle if plans of such magnitude were not appreciably wrong in some respects. Therefore the Ministry is very ready to welcome and consider suggestions from any source for improving the service it is giving to its customers—the community at large.

## THE POST OFFICE

by A. HIBBS  
(*Assistant Secretary*)

### GENERAL

THE two principal services provided by the Post Office are the postal service and the telephone service; in fact, these two services so dominate the situation internally that one is apt to think of the other Post Office services in terms of their relationships to either posts or telephones. But at least four of the other services, or rather groups of services, entail fairly large-scale operations in themselves, and ought therefore to be mentioned even in this brief account of the Post Office. Three of them merge with posts at the working level, in that the basic transactions are carried out at post office counters. They are: first, the banking services; second, the remittance services—money orders, postal orders and cash-on-delivery—and, third, the agency services—services such as the payment of pensions and allowances, the issues of licences of various kinds and the sale of stamps, which the Post Office conducts for other Government Departments, and for Local Authorities, because it has the offices (some 24,000 of them all told) which are readily accessible to the public. The remaining service which calls for special mention, the telegraph service, has an affinity with both posts and telephones—operationally with posts, as will be explained later, and technically with telephones.

There are two general points to note about these services. First, that they are nation-wide and extend to all members of the community; and, second, that there is a material difference between the processes involved in providing the postal and allied services and the processes involved in providing the telephone and telegraph services. Processes on the postal side are predominantly of a manual and clerical nature; but the telecommunications services (the name given to telephones and tele-

graphs collectively) are essentially technical services; in fact, close on 50 per cent. of the staff engaged in these services are occupied, not in operating nor in administration, but in developing and maintaining the engineering plant on which the services wholly depend.

That must suffice for the services—the purpose of this paper is to give a brief account of how the Post Office is organised.

Perhaps the most distinctive feature of the organisation is the extent to which it is broken down geographically—it is inconceivable, having regard to the size of the undertaking and the nature of the services rendered, that it should be otherwise—but organisation by place is not carried to the extreme form of one local manager for all Post Office activities—or not generally so, for there are one or two special exceptions. There are, in fact, two kinds of manager operating side by side—one, the Head Postmaster responsible for the postal and allied services and the telegraph service, and the other, the Telephone Manager, responsible for the telephone service.

Another feature of general interest concerns the broad division into levels of authority. There are more than 500 local managers (both kinds included), and there must therefore be some form of organisation between them and the central administration. But it will suffice at this stage perhaps to say that the intermediate organisation comprises one level only, and that its boundaries, too, are geographical. It is called the regional organisation, though the territories covered do not correspond to the territories covered by the regions of Government Departments generally. Circulation requirements on the postal side and the technical layout of the telephone system exclude any such correspondence.

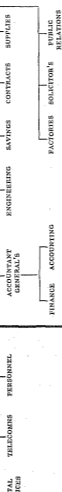
And, finally, before going on to a more detailed, though necessarily sketchy, account of the structure, it might be as well to add that the total staff is about 350,000 (though 50,000 are part-timers), and that over 300,000 of them are employed in the Regions and subordinate formations. Also that the staff divides between the services roughly as shown in the rectangle at the bottom right-hand corner of Fig. 4.

# POST OFFICE

POST OFFICE ADVISORY COUNCIL → POSTMASTER GENERAL ← POST OFFICE BOARD

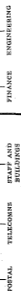
## DIRECTOR GENERAL

Departments  
[Directors or Controllers]



## REGIONAL DIRECTOR

Branches  
[Controllers]



[Managers]

HEAD POSTMASTERS TELEPHONE MANAGERS

P	TP	TS	AR
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Fig. 4.

## STRUCTURE

At the top is the Postmaster-General, responsible for the conduct of all Post Office activities, and subject to Parliamentary control and interpellation in the same way as the Minister in charge of any other Government Department; and under him is the Director-General, the permanent head of the Department. In his principal tasks of laying down broad lines of policy and watching results, the Postmaster-General is assisted by a Board, over which he presides, and which comprises the Assistant Postmaster-General (not shown in Fig. 4), the Director-General and his two deputies (not shown in Fig. 4), the heads of the two principal services or group of services (posts and telecommunications), the heads of the principal functional units (personnel, finance and engineering), and four of the Regional Directors (the title given to the principal officer in each Region). But the Board, as such, has no power of decision in matters of policy; the power and responsibility of final decision rest with the Postmaster-General or, in major issues, with the Ministers of the Crown collectively. There is also a "Consumers Council", divided into three panels—two for the postal and allied services and one for the telecommunications services—which acts in a consultative capacity on questions of general policy and serves as one of the connecting links between the Post Office and the public.

The Director-General is responsible for putting policy into effect and for giving general direction to the enterprise; he is, in fact, the Chief Executive; and the principal lines of responsibility and command extend from him to ten Regional Directors.

The Regional Directors have very wide powers of action and decision, subject to the general policies laid down by Headquarters and to the financial limits set by their own budgets.

In postal matters they are responsible for the local arrangements necessary to maintain the general scale of service prescribed by Headquarters, though contact with highly centralised authorities, such as the railways, the steamship companies, and imperial and foreign administrations, are necessarily centralised for the Post Office as a whole.

On the telecommunications side they have full powers for developing and maintaining the local systems and for determining how the local services shall be conducted; but Headquarters retains a considerable measure of direct control over the long-distance (inter-regional and international) services.

In personnel matters their powers are in keeping with the general level of their responsibilities in other fields. They can fix complements, recruit, and deal with appointments and promotions for all but the higher supervising posts, and their powers in staff matters generally, and in disciplinary matters in particular, are made effective by restricting the right of appeal to higher authority. The power to make promotions is, of course, particularly important, having regard to the difficulty that must be experienced in all large undertakings of getting men of outstanding ability out of the lower ranks and to the front sufficiently early in life.

In building matters they have a free hand, subject to general approval of their programmes, in schemes costing less than £50,000, above which the Post Office has to go to the Treasury.

The principal lines of responsibility and command extend from the Regional Directors to Head Postmasters on the one hand and to Telephone Managers on the other. These local managers are vested with fairly wide powers to enable them to carry on the day-to-day work of running the services for which they are responsible; and though they cannot vary the type of service given or the conditions under which their staffs are employed, they can exert very great influence over the quality of service given and over the cost of giving it. The powers of the two managers are the same in common fields. They can regulate numbers and recruit the basic manipulative, operating and engineering staffs; grant increments and increases; adjust services to meet local needs; rent premises; erect certain types of buildings; and do the hundred-and-one other things necessary to effective control in day-to-day matters. In addition, the Telephone Managers have fairly wide powers in regard to the development of the local telephone network and practically unlimited powers in regard to its subsequent utilisation. They can authorise engineering works costing up to £2,000 a scheme in certain

fields, and up to £500 or £1,000 in others, and they have full powers in regard to expenditure for the maintenance of the engineering plant. It is material to note, moreover, that the powers and responsibilities of the local managers are fairly rigidly fixed; at all events the powers are defined as clearly as such things can be; and so generally is the extent of delegation from the managers to their subordinates. But this devolution of power does not affect the Regional Director's over-all responsibility for what goes on in his region or his right to intervene in individual cases.

The two parallel management units are shown on the plan as separate and independent organisations. They are largely so, with the Head Postmaster running the postal and telegraph services, and the Telephone Manager running the telephone service. But their duties do interconnect to a considerable degree. There are many more Head Postmasters than Telephone Managers—they exist in the provinces in the ratio of about eight to one—and it will be realised, therefore, that many fair-sized towns support a Head Postmaster but no Telephone Manager—the Telephone Manager's office may be some distance away. Because Head Postmasters are more plentiful, so to speak, and because, in any case, the public have grown to regard the Head Postmaster as *the* local representative of the Postmaster-General, he (the Head Postmaster) acts as agent for the Telephone Manager in telephone matters directly touching the public. Telephone subscribers can, and do, go to the Head Postmaster for aid and information about the service, and special steps are taken to ensure that he can give service without referring them to some other official. Again, because the telephone operators are widely dispersed in relatively small units, and in order to ensure effective local control without adding unduly to the cost of supervision, the Head Postmaster, with a few special exceptions, recruits, pays and is responsible for the disciplinary control of the operating staff. On the other hand, all the local engineers are under the Telephone Manager, and though their principal task is to develop and maintain the telephone network, they carry similar responsibilities in respect of the telegraph network. They also provide and maintain the mechanical aids to the postal service (stamp-cancelling

machines, conveyors, bag-clearing apparatus, and the like); and they are responsible for the heating, lighting and ventilating systems, and the lifts in Head Postmasters' buildings. Each Manager then assists the other in some major respect, and there is a problem of co-ordination at this level, though in practice it adds very little to the co-ordinating task of Regional Directors.

There is one exception to this parallelism of Head Postmasters and Telephone Managers, however, which calls for special mention. It concerns the Head Postmasters of the four largest provincial cities (Birmingham, Manchester, Liverpool and Glasgow), who, because of their special position *vis-à-vis* the commercial community, are vested with wider powers than other Head Postmasters, and are made directly responsible, under their Regional Directors, for the efficiency of all Post Office services in their cities. Each of these Head Postmasters stands between the Telephone Manager and the Regional Director in all matters directly affecting the efficiency of the telephone service, and the Telephone Manager, as the subordinate of the Head Postmaster, assumes a more direct control of the telephone operating staff.

At this point it would be as well perhaps to mention the position of the telegraph service. There is a more intimate connection between posts and telegraphs than there is between posts and telephones; in fact, one of the principal arguments advanced in favour of State control over the telegraphs was that the use of postal organisation offered the best hope of developing the service extensively and economically. Apart from the fact that post offices provide convenient terminal points with the necessary degree of dispersion, it so happens that the daily peaks in volume of work in one service correspond to the troughs in the other, and it is possible therefore, in the smaller offices, to provide for both services with a minimum of staff. On the other hand, there is an intimate connection between telephones and telegraphs; in fact, technically, the two services are inseparable nowadays.

It will not be possible within the limits of this paper to say anything about the sub-divisions of the management units themselves; and so the best course, perhaps, will be to return to the regional organisation. The Regional Director has his

own body of administrators in the general and specialist fields which provides the link between the managers and the central administration, and without which he would be quite unable to exercise the extensive powers delegated to him. This staff is divided into two general branches representing posts and telecommunications, and three specialist branches representing personnel, finance and engineering.

The function of the Postal Branch is control, through the Head Postmasters, of the postal and allied services.

The function of the Telecommunications Branch is control, through the Head Postmasters, of the commercial aspects of the telegraph service and, through the Telephone Managers, of the commercial aspects of the telephone service.

The Staff and Buildings Branch, a curious combination, perhaps, but one that reflects a similar grouping at Headquarters, is concerned with the personnel function in the generally accepted sense of the term, and with the general and co-ordinative aspects of buildings cases (the other branches say what they need in the way of accommodation).

The Finance Branch is responsible for the financial examination of proposals formulated by the operating and technical branches, for the collection, presentation and interpretation of statistical and financial data, and generally for watching the trends of revenue and expenditure. It is not a link in the chain of accounting responsibility, however; the local managers account direct to the Accountant-General for money handled. The head of the branch is the principal adviser to the Regional Director in financial matters, and the financial adviser to his colleagues in charge of the operational and technical branches.

Finally there is the Engineering Branch. There are really two parts to its job. First, it provides a specialist service of information and advice to the lower formations, and, secondly, it is directly responsible for certain specialist executive jobs which cannot readily be delegated to a lower level.

The Regional Director must delegate to and co-ordinate the work of his experts, but it is of interest to note that it is left to him to decide how far his powers shall be delegated to Heads of Branches or their subordinates (it is laid down, however, that any

powers devolved upon a Regional Director might appropriately be exercised by the Head of a Branch). He is assisted by a Regional Board of Heads of Branches, but the Board has no collective responsibility, and is essentially a piece of the co-ordinating machinery.

There will be a little more to say about the Regional organisation later on, but it will simplify matters to leave it now and to move up to the Headquarters level. The corresponding units there are the Postal Services, Telecommunications, Personnel, Accountant-General's and Engineering Departments. All these departments have administrative responsibilities. They "assist in the framing of policy and translate policy decisions into practices to be applied at the national, regional and local levels". But the two general, or operational, departments carry prime responsibility for administration in the postal and telecommunications fields. With one material exception, they plan, co-ordinate and control all activities appertaining to the services for which they are responsible. The exception concerns the personnel function of bringing in, placing, stimulating and creating favourable conditions of work for the staff. Central planning, co-ordination and control in this field are exercised by the Personnel Department, and personnel work is treated as a specialist function.

The financial, accounting and technical operations likewise are separate and distinct and function for all services. It will be noted that finance and accounting are combined in one department under the Comptroller and Accountant-General. He is responsible for the accounts and the accounting systems and for advising on the financial aspects of policy questions affecting the revenue, expenditure and funds of the Post Office. He is also responsible for the administration of the remittance services. Technical operations are the special province of the Engineering Department under the Engineer-in-Chief.

The relationship between the Engineer-in-Chief, the Chief Regional Engineer (the head of the Regional Engineering Branch) and the Area Engineer (the principal engineering officer under the Telephone Manager), and between the Accountant-General and the Regional Finance Officer are of particular

interest. The Chief Regional Engineer is subject to the executive authority of the Regional Director, and would normally expect to carry the Regional Director's powers in general engineering matters; but in technical matters he is responsible to the Engineer-in-Chief. In other words, he is controlled by the Regional Director in service questions and in matters of finance, but by the Engineer-in-Chief in engineering practices and procedures. The same sort of relationship exists between the Chief Regional Engineer and the Area Engineer, and, in effect, between the Engineer-in-Chief and the Area Engineer, since the codes of practice are prescribed by specialists at Headquarters and are issued direct to the lowest levels.

The engineers have been mentioned first because they exist in very large numbers (there are about 60,000 of them altogether) and because in this field the line of technical authority extends from top to bottom of the system; but the same sort of relationship exists between the Regional Finance Officer and the Accountant-General in technical matters of accounting and in matters in which the latter's responsibilities for the accounts are involved.

The heads of the five regional branches and the heads of the corresponding five departments at Headquarters have been shown as staff officers because it is convenient to think of them as such, even though their duties and responsibilities would not stand up to the more austere definitions of the duties of staff officers. They all act as advisers to their immediate chiefs and to officers exercising similar functions in subordinate formations; but, with the exception perhaps of the Regional Finance Officer, they all carry important duties of direction and control, and they certainly do not "refer everything up and not down".

Space will not permit more than a mention of the six other departments at Headquarters. First, there is the Savings Department, which carries administrative responsibility for the thrift services and responsibility for their co-ordination with the National Savings Movement. Secondly, the Contracts Department, responsible for the purchase and sale of supplies and for the contractual arrangements governing the execution of engineering works—the Regional Directors place most of their own contracts for engineering works, but the forms and proce-

dures are prescribed by the Director of Contracts. Thirdly, the Supplies Department, responsible for the custody and issue of supplies and paper values: there are no decentralised supplies officers, however; decentralised stocks, where required, are under the control of the local Managers, who replenish direct from the Supplies Department's depots. Next, the Factories Department, which is not a production unit in the true sense; its main concern is with the servicing and repair of equipment for re-issue. And, finally, there are the Solicitors Department and the Public Relations Department, the titles of which will indicate their functions.

So much for the bare bones of the structure. Many things have been omitted altogether; for example, nothing has been said about the method of grouping departments at Headquarters to achieve co-ordination in the vertical sense, as distinct from that provided horizontally by the three principal administrative departments; nothing has been said about the special conditions applying in London and to a lesser degree in Scotland; nor has anything been said about the methods of sub-dividing the Headquarters departments, the regional branches and the local management units, many of which are extremely interesting in themselves; but it seems necessary that a little time should be directed to answering some, if only very few, of the questions put by Mr. Simpson in his introduction. The answers themselves might help to throw light on the picture.

### CONTROL

Take first the question relating to central control over results. It is paramount, of course, in an undertaking like the Post Office, that Headquarters should have some means of keeping its fingers on the pulse of the undertaking; in fact the extent to which powers can be delegated depends entirely on the effectiveness of the internal system of fact-control. Moreover, the officers to whom wide powers are delegated need information of the same kind as that required by Headquarters in order to judge their own performance and to judge the likely consequences of anything they might have in mind to do. Information is collected in all sorts of ways—by periodical reports, visits, inspections and so on—

but so far as the Regions are concerned—and that is where the bulk of the work is done—the principal formal controls are financial control and statistical control of performance.

### *Financial*

The primary instruments of financial control are a Regional Budget, a Budget Account and a Control Account. The preparation of the Budget brings under review the regional programme for the ensuing year, and new projects may be deferred or modified in consultation between Headquarters and the Region. Acceptance of the Budget is the means of conveying Headquarters approval of the general lines of the Regional Director's policy in matters having a financial bearing.

The Budget Account compares month by month, in cumulative form, actual with estimated revenue and expenditure, and it is submitted to Headquarters quarterly with revised forecasts and with supporting significant figures of staff employed, general levels of performance achieved, and so on.

The Budget and the Budget Account, however, cover only those items of expenditure which are wholly or in some respect within the Regional Director's control, and the aim in the Control Account is to give him something nearer to a commercial account, while avoiding artificial apportionments. Thus, items such as pension liability, depreciation and interest on capital are to be found in the Control Account, but others, such as the cost of conveyance of mails and the cost of Headquarters Administration, which cannot easily be split, are not. The aim is eventually to produce a Control Account for the Telephone Areas also, but not for the Head Postmasters' Districts. An account of this kind would be of little value to Head Postmasters, for on the postal side, particularly in small geographical areas, there is often little correspondence between revenue collected and work done.

### *Statistical*

But apart from suggesting when investigation is called for, these revenue-expenditure reviews throw little light on efficiency. They are supplemented therefore by statistical returns of output (of plant as well as of staff) and, where measurable, by statistical

returns of the quality of the service given. The scope and frequency of these returns vary enormously between the different services. There is no common pattern. For instance, on the engineering side the measurement of individual and group output, and the calculation of performance ratings, are continuous, and cover a very large proportion of all work done; in other fields where continuous measurement would be impracticable even if desirable, sampling is the rule; and there are substantial blocks of work for which it has never been possible to devise a satisfactory scheme of measurement—postal collection and delivery work in rural areas is a case in point.

The nature of the statistical returns varies enormously, too; the significant facts cannot be expressed in a universal scheme of measurement. Variation is particularly marked in expressing the quality of service given. The information thrown up in this connection ranges from very general indications of facilities provided (for example, the number of telephone kiosks per 10,000 population in large towns) to detailed measurements of speed of answer and speed of connection on the telephone side, and of overall transmission times and errors in transmission on the telegraph side.

The statistical returns are prepared in great detail for local control, they are summarised for use at regional level, and they reach Headquarters in two forms: first, in generally the same detail as available to the Regions, primarily for the information of the administrative or technical department directly concerned; and, secondly, to fulfil the requirements of ultimate control, in a simplified and collated form, as part of the Regional Director's Annual Report.

### DECENTRALISATION

So much for control; perhaps it would be best next to take the series of questions about decentralisation. Post Office policy is to decentralise and to carry delegation to the farthest point consistent with efficiency and with the need for uniformity in providing nation-wide services. But the aim is to delegate without diffusing responsibility, and since much of the delegation is in specialist fields, it is natural to attach considerable importance

to the co-ordinating functions of the Regional Directors and their local managers. The essential thing, of course, is to give the Manager a large measure of the right to determine how the local services shall be conducted. But it is important also, in order to ensure flexibility and to give him the right standing in the eyes of the public, that he should have adequate control over office and other processes which directly touch the public. Thus, on the telephone side the work of preparing and issuing the subscribers' accounts, and processes of a similar kind, are decentralised to the Telephone Areas because it is thought important that the Telephone Manager should be in a position to deal with all telephone matters so far as the public is concerned. There is less inclination, however, to decentralise purely internal processes if centralisation offers prospects of more economical working. The work of examining the Manager's cash accounts, for example, is centralised at Headquarters to secure the advantages of large-scale working. There would be little merit in decentralising such a process to regional level.

Many things militate against decentralisation. It would be impossible, for instance, in Government service to allow a really liberal measure of discretion in personnel and financial matters. Highly developed uniform standards have to be applied in both fields. It would be impossible, too, or at any rate suicidal, to permit local variations in the scale or standards of the service provided. Nation-wide uniformity is essential. The inter-regional element in communications services plays its part. The development and some of the management of the long-distance services must be centralised. Centralisation in other undertakings exerts an influence, too. There is, for example, a certain amount of railway work that might with advantage be delegated to Regions, but which cannot because railway organisation is highly centralised. And at the very end of the list there are the many routine methods and procedures which are standardised for the system as a whole merely as a measure of economy, and which sometimes give rise to the impression that decentralisation is not quite as complete as it might be. But one cannot ignore the savings to be achieved through the detailed study and standardisation of best methods, particularly when the

processes are repeated over a very large number of offices, as they are in the Post Office. Perhaps the right view to take with regard to these routine processes is that the local Manager will want the several jobs carried out in the most efficient manner; that, generally speaking, he, as an individual, will not know of a better way of doing them; and that if he does, the system as a whole ought to benefit, and the standards ought to be modified to incorporate his ideas.

For one reason or another, many purely executive activities are centralised, either fully or at regional level, and it might be as well to mention the few that come first to mind. The principal concentration at regional level is in the Engineering Branch. A number of specialist jobs are carried out there largely because the incidence of work does not permit of their being carried out at a lower level. The design and preparation of detailed specification for new exchanges are regional jobs; and one fairly large dispersed activity—namely, that concerned with the maintenance and repair of motor vehicles—is directly controlled by the Chief Regional Engineer.

The list at Headquarters is very much longer. All the record and accounting work in connection with the Savings Bank, with National Savings Certificates and with Government Stock and Annuities is centralised in the Savings Department, which is the largest single clerical unit in the Post Office (the total staff there is about 17,000). Similarly, the central record and accounting work in connection with money-order and postal-order transactions are centralised in the Accountant-General's Department. The purchase and safe custody, repair and testing of stores is centralised, and so is the work of investigating cases of suspected theft and fraud against the Post Office. The construction and maintenance of the long-distance and coast point-to-point radio stations are centralised in the Engineering Department, and so is the submarine cable work.

The final question or questions in this series was, "How do you keep decentralised activities in line with policy rulings and policy formulation in close touch with operational needs?" The first requirement is met in a variety of ways: by general directives when the practices are to be worked out locally; by formal

instructions when the practices are worked out centrally; by periodical conferences of Regional Directors; by periodical conferences of the heads of each of the five regional branches under the heads of the corresponding departments at Headquarters; and by a system of interchanging staff between Headquarters and the Regions. The same sort of thing happens between the Regions and the local management units, the only difference being that many detailed instructions are circulated to the local Managers direct from Headquarters. And one must not overlook the part played by the specialists at regional level, who are generally better acquainted with central policy than the managers, and better informed on local conditions than the central administration. In fact, it is through them that the second of the two requirements is largely met: *they* are the principal means of keeping the central administration in touch with operational requirements. But the conferences and the interchange of staff mentioned under the first head are equally effective under the second, and it will do no harm to mention again that four out of the ten Regional Directors are members of the Post Office Board.

### JOINT CONSULTATION

So far, nothing has been said about the human aspects of the organisation, and it will be impossible in the space remaining to answer the whole series of questions about bringing in and providing incentives for the staff; about the personal relationships between staffs at different levels; about staff consultation; and about leadership and the development of the team spirit. The best way out perhaps would be to devote a few lines to the subject of staff consultation.

Post Office policy is to associate the staff as widely as possible with proposals affecting organisation and procedure, welfare and conditions of service; and to make the best possible use of their knowledge and experience. Staff consultation through the Whitley machinery has been a live force for close on twenty years now. There are two Departmental Whitley Councils, a reflection really of the many different grades of staff employed; and there are Local Whitley Committees in Telephone Areas,

Head Post Offices, Regional Offices and Headquarters Departments, which operate under constitutions laid down by the Departmental Councils. But many of the problems to be discussed, even those to be discussed centrally, concern only small sections of the staff, and consequently much of the work is carried on by informal discussion between the staff and official sides, and by standing and *ad hoc* committees. There are, for instance, standing joint committees at the centre, comprising representatives of both Councils, for welfare and for training.

The more recent development of Joint Production Committees has been confined in the main to the engineering, factories and stores sides. There is a Joint Production Committee in each Telephone Area, with sub-committees dealing with the principal phases of engineering work, and a committee in each Region for discussing engineering matters of wider application. Similar committees exist in the Supplies and Factories Departments, and in the executive branches of the Engineering Department.

It is difficult to give an effective answer to the question raised in the first paper about joint consultation, but it can perhaps be said first, that the existence of local machinery for consultation has had a material bearing on the extent and efficacy of delegation to local managers, and, secondly, that the organisation and procedures in many parts of the structure owe much to suggestions which have come from the staff side during the last twenty years.

### INTERPELLATION

Finally, some attempt must be made to deal with the question of interpellation. It is argued, on the one side, that Parliamentary intervention in the day-to-day working of a department has a salutary effect—that it keeps the administration on its toes; and, on the other, that it leads to timidity and over-centralisation. That it leads to over-centralisation seems to be the principal argument of most opponents.

One needs to be very experienced before offering an opinion on such a subject, and the best contribution that can be made here is to draw attention to the view taken by the Bridgeman Committee in regard to it. They recognised that Parliamentary intervention in matters of detail might be harassing, and sometimes

even vexatious, and that in many instances it resulted in an expenditure of time and effort out of all proportion to the importance of the matter in question. But, even so, it seemed to them that the House of Commons provided the best machine through which the public could ventilate its grievances against the Post Office. They took the view that the alleged disadvantages were unduly stressed and, regardless of the arguments that decentralisation of authority was impossible so long as the Postmaster-General was liable to be questioned in Parliament at forty-eight hours' notice, they recommended a very wide delegation of executive power. Experience to date does not suggest that they underestimated the difficulties in the way of such delegation.

## THE BRITISH TRANSPORT COMMISSION

by MILES BEEVOR  
(*Chief Secretary*)

(NOTE.—This essay must be regarded as an attempt to describe shortly the organisation of the British Transport Commission as it existed at the beginning of January 1949, little more than a year after the Commission came into being. The reader will appreciate that at that time the organisation had not reached its final form and that a steady process of growth and development is in fact taking place.)

### *Introduction*

IN this brief sketch of the organisation of the British Transport Commission it is proposed to keep as closely as possible to the facts of the case, and to avoid discussion or comment upon the theories of management or administration which may be involved.

But no sketch can be intelligible without a few preliminary words on the provisions of Part I of the Transport Act under which the British Transport Commission was created.

The Transport Act received the Royal Assent on 8th August, 1947, and the British Transport Commission came into existence very shortly after that date under the provisions of Section 1, as a body consisting of a Chairman and not less than four nor more than eight other members, responsible for the future integration of British Inland Transport, and as from 1st January, 1948, the owners of all British Railways, other than a very few minor lines, of the London Transport undertaking, and of the principal inland waterways of the country. Its duties, responsibilities and powers are defined in Sections 2, 3 and 4 of the Act, but it was not left to deal unaided with the gigantic task imposed it by the Act; for by Section 5 it was laid down that five "subordinate" bodies should be created, known as Executives, to work in the following spheres: Railways, Road Transport, London Transport, Docks and Inland Waterways and Hotels, and to act as agents for and under the direction of the Commission.

It is desirable to note three things about the Executives :—

(a) The members of each are appointed by the Minister of Transport, and not by the Commission—though the Commission has the right to be consulted.

(b) The Executives can exercise only such powers as are formally assigned to them by the British Transport Commission under formal documents known as Schemes of Delegation.

(c) The number of Executives need not remain constant—it can be increased or reduced by the Minister, after consultation with the Commission.

But each Executive is a separate public authority with a legal status; and the machine which the Act has created may therefore be compared to a central sun with five planets attached to it; or, alternatively, to a small central Board of Directors with five corporate General Managers working for it in their separate spheres.

Such was the framework laid down by the Act, and it was left to the Commission to create the organisation under which it was to operate. The time allowed was brief—little more than four months in fact elapsed between the first meeting of the members of the Commission and the date upon which the huge railway undertakings of the country with over 600,000 employees passed into their control; and there were many important decisions to be taken in that period. No blue-print was available, but speedy provision for the immediate needs of the moment was necessary: and so the actual organisation which has emerged, and which this paper is about to describe, can only be regarded as preliminary—it may perhaps be said to be finding its feet—but it is barely eighteen months old, and at that age, as every father has good reason to know, there may be marked elements of uncertainty about gait and development! Despite an intimate connection with the building up of that organisation, neither the author nor the members of the Commission would feel or claim that all the problems have been successfully solved, nor that the Commission is to be regarded as an exemplary model of what the controlling organ of a vast undertaking should be, or that any-

thing more than a foundation has yet been laid on which to build. It is necessary to learn as you go along, but some progress has been made, and from the results which have been achieved it seems clear that progress is along the right road.

### *Headquarters Organisation*

(a) *The Commission.* The organisation of the Commission's Headquarters office is set out in Fig. 5. The Commission itself consists of a Chairman, Sir Cyril Hurcomb, three whole-time members, Mr. Benstead, Lord Rusholme and Sir William Wood, and one part-time member, Captain Sir Ian Bolton, who has special knowledge of Scottish conditions and requirements.

It is necessary to emphasise that there is no formal functional division of responsibility between the members of the Commission. Essentially their responsibility is a collective one, and all their formal decisions are taken collectively and at formal meetings which are held twice a week.

(b) *Chief Secretary's Department.* The Commission is served by three Chief Officers—the Chief Secretary and Legal Adviser, the Comptroller and the Chief Public Relations and Publicity Officer. The main tasks of the Chief Secretary and Legal Adviser are to see that the necessary facts are placed before the Commission to enable them to frame policy and to take decisions upon the matters referred to their judgment either by the Executives, or by the Ministry of Transport, or any other Authority, and when they have done so, to see that effect is given to their decisions. There are, of course, secondly, his more specialised duties as their legal adviser, which relate at present mainly to the implementation of the Transport Act and the supervision of Parliamentary business.

As will be seen from Fig. 5, the Chief Secretary has three principal Assistants—first, the Deputy Secretary, who is in a very real and effective sense the Deputy in all administrative work, and bears also particular responsibility for the minutes and records of the Commission, supervising directly the Secretarial Section, which is shown on the chart below him. Secondly is the Assistant Solicitor, who relieves the Chief Secretary of the main brunt of legal study, and deals rapidly and efficiently with all legal

BRITISH TRANSPORT COMMISSION  
ORGANIZATION CHART  
JANUARY 1949

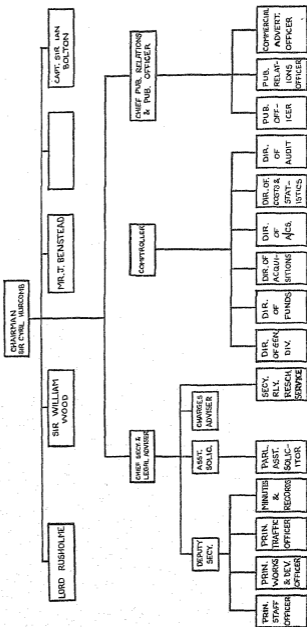


FIG. 5.

problems of a general nature which arise in the work of the Headquarters office. He also supervises the Parliamentary legal staff, who are organised as a separate section, working in the sub-office at 4, Cowley Street, and in this capacity acts as a Chairman of the Parliamentary Committee on which all Executives are represented and who have to study and advise on all Bills in Parliament which may affect the Commission's undertaking, and a great many Orders and Regulations as well. Thirdly comes the Charges Adviser, who is the head of a specialist section of experts who also work from No. 4, Cowley Street. He has the particular duty of assisting with the preparation of Charges Schemes under Part V of the Transport Act—a special problem which will be mentioned at a later stage.

Before leaving this first tier of the organisation, the Chief Secretary's responsibility for the Railway Research Service must not be forgotten; it is an organisation which has accumulated wide knowledge and experience of transport matters and economics all over the world, and is continuing its activities in an ever-widening degree in the interest of all the forms of transport in which the British Transport Commission is concerned.

In the second tier of organisation come the three Administrative Sections shown under the Deputy Secretary in the chart. They are respectively in the charge of the Principal Staff Officer, the Principal Works and Development Officer and the Principal Traffic Officer. The main work of these sections is indicated by their titles—they have been deliberately formed on a "subjects" basis, and deal equally with each of the Executives, and their work is of great importance in the task of co-ordination of the activities of the Executives. But the officers in charge are not to be regarded as technical specialists; their duty is to consider each problem and suggestion, from whatever source it may emanate, in the light of its reaction on the undertaking as a whole, and it is only in that light that the Chief Secretary or they themselves may have to add anything to the recommendations which the Executives, who are the General Managers, have to place before the Commission for decision. In technical matters the Commission rely on the advice of the Executives and their specialist officers, though consideration is being given to the

formation of a special organisation to deal with the problems of technical and operational research which present themselves at so many points in every branch of transport and which underlie their future development.

Turning to the organisation of the Departments of the other two Chief Officers of the Commission.

(c) *Comptroller's Department.* The Comptroller is the Adviser of the Commission on financial policy, and is responsible for the accounts of the whole undertaking, and it follows that his operations include a measure of control over the financial administration of the Executives. No attempt has been made to centralise this control in matters of detail, and a high degree of responsibility has been devolved on the Chief Financial Officers (or their equivalents) in each Executive.

All work which can be departmentalised or localised is pressed away from Head Office, so that the department of the Comptroller may function as a relatively small unit, concerned mainly with questions of financial policy and organisation generally, with the shape, size and location of the various units of financial administration and the conceptions which should govern them, and with the usual processes of budgetary control, consolidated accounts and statistics, cost investigation and audit.

The necessary contact, consultation and definition of objectives and procedures are established by various means. There may be formal direction to the Executives or limitation of their financial authority where the subject-matter warrants such a course (e.g., important capital development), but otherwise the process of control is worked out and adjusted through the issue of memoranda by the Comptroller, through correspondence and through personal contact between the appropriate officers of the Comptroller's Department and the Finance Departments of the Executives. On matters of common interest there are regular meetings of committees at Head Office, attended by the appropriate Financial Officers of the Executives. These committees are small and informal, however, and the committee structure has been kept to a minimum.

The Comptroller's Department is divided into six divisions,

each in charge of a Director. The Divisions cover Funds, Accounts, Audit, Costs and Statistics, Acquisitions and General Matters.

The Director of Funds is responsible for the control of current working capital and effective utilisation of all the Commission's cash resources, for the financial arrangements in connection with the issue and service of British Transport Stock, and for the investment of surplus resources. The long-range planning of the liquid position is an important part of his duties.

The Director of Accounts is responsible for the rules of account to be followed throughout the Commission's undertakings, for the designing of the Commission's Annual Accounts and for the preparation of these Accounts from the detailed figures flowing from the various Executives and Departments. He also reviews and reports upon the regular financial returns which are prepared by the Executives and the Annual Accounting Budgets which they prepare.

The Director of Audit arranges for the external audit of all accounts and the integration of audit programmes, for an internal audit of the financial administration at the higher levels and for the adequacy of internal check throughout the undertaking.

The Director of Costs and Statistics has to investigate costs and costing processes wherever these arise, and is also responsible for reporting on the financial aspect of development proposals. He arranges for the production of statistics for the undertaking as a whole and its various parts; some of these statistics are published for each four-weekly period in the booklet *Transport Statistics*, which many will have seen.

The Division of the Director of Acquisitions deals with the financial considerations involved in the acquisition of undertakings. This includes the negotiation of prices for undertakings which the Commission have agreed to purchase voluntarily, and of the compensation payable for undertakings which must be acquired under the provisions of the Act. The latter will include many thousands of road-haulage concerns operating long-distance transport, and the considerable amount of detailed

investigation involved in this task is undertaken by a panel of some hundreds of professional Accountants throughout the country.

Finally, the Director of General Division deals with certain financial aspects of Commission policy in relation to special matters, such as pensions or insurance, which do not fall within the scope of other Divisions.

(d) *Chief Public Relations and Publicity Officer's Department.*—The task of the Chief Public Relations and Publicity Officer is a very wide one, and, it will be agreed, of vital importance to an undertaking which must above all things deserve and maintain the good will of the British public if it is to succeed. The Commission at an early stage found it necessary to appoint a Chief Officer directly responsible to them, not only to deal with the public relations at their own headquarters level, but also, of course, to co-ordinate and supervise this work throughout the whole of the undertaking. His responsibilities include not only close contact with the needs and reaction of public bodies, trade associations, local authorities and so forth, but also staff publicity—that is to say, the circulation of information to all members of the staff—through media such as staff magazines and special articles in trade union and technical journals, with a view to fostering co-operation and a sense of “pride in the job” in all sections.

The Chief Public Relations and Publicity Officer has three principal Assistants :—

First, the Public Relations Officer, who deals with the Press and maintains a reference and library section. He is also responsible for dealing with all Parliamentary correspondence and other public representations (and perhaps complaints) which come direct to the Commission's office. He has built up an efficient registry and filing system, and by this means and by the close co-operation of the Executives he is able to provide material for prompt and factual replies to M.P.s and other correspondents.

Secondly, the Publicity Officer is responsible for the Commission's publicity in all its forms, including printed publications. Under his general responsibility for design matters his advice is

available to all Executives who have proposals of this nature to place before the Commission for approval.

Thirdly, the Commercial Advertisement Officer, who has been recently appointed to control, under the supervision of his Chief, the letting of sites and space for commercial advertising throughout the undertaking, in order that unified terms and practices may become applicable in each Executive's sphere, and that the standards and reputation of Transport Advertising may be improved, to the financial advantage of the Commission.

In supplementation of this headquarters organisation, the Commission has thought it desirable to create two Committees to unite and co-ordinate all such activities, both at Commission and Executive level. These are the Public Relations Policy Committee, consisting of the Chairman of the Commission and of each Executive, the meetings of which are also attended by the Chief Secretary and the Chief Public Relations and Publicity Officer, and the Public Relations Co-ordinating Committee, which covers day-to-day working at officer level, of which the Chief Public Relations and Publicity Officer is the Chairman, and to which each Executive sends its individual representative. It will be appreciated that a very careful "tie-up" has been found to be necessary to avoid overlapping and competition for publicity and space, and that the services of the Commission's experts can be of great assistance to the Executives in such matters as film production and public exhibitions.

This description of the Headquarters' Office of the Commission will have shown that the key-note of its design is directness and simplicity. It is by no means a large office, and the total number of the staff in all Departments today barely exceeds 150.

### *Organisation of the Executives*

In the Executives for the purpose of day-to-day management much larger and more complicated structures may exist, and though space will not permit the description of each of these organisations in detail, some attempt is desirable to give some brief comments on the organisation set up by the Railway and Road Transport Executives to deal with the responsibilities which have fallen within their particular spheres.

(a) *Railway Executive.* In the case of the Railway Executive there were two essential requirements that had to be met at the start: (1) the changes made on taking over the four great main-line Railway Companies had to be such that they would not jeopardise current daily working; (2) prompt advantage had to be taken of the opportunities afforded by unification for reviewing current methods of working and types of equipment and standardising the best, wherever standardisation was appropriate. These two requirements were met (1) by accepting the areas covered by the former Company networks as the general basis for the new Regions, except in Scotland, where it was felt to be both practicable and desirable to unite under a single Chief Regional Officer two systems that were formerly separate; and (2) by giving each of the six full-time members of the Railway Executive (excluding the Chairman) certain functional responsibilities over the entire system, and providing that these functional members could deal directly with their functional counterparts at each Regional Headquarters on technical and departmental matters.

Both these latter provisions have been criticised on the grounds that they encourage specialisation at a level where the chief need is for wise administration in the widest sense, and leave Chief Regional Officers in an anomalous and awkward position. In themselves these points are reasonable enough. But consider what the alternative would have been: an Executive composed mainly of Regional General Managers, perhaps assisted by one or two specialists, and presided over by an independent Chairman. That is precisely how the war-time Railway Executive Committee was constituted; but its function was co-ordination, not unification; and one can hardly escape the conclusion that an Executive composed of Regional General Managers, each very properly convinced that his own Region was superior to any other, eager to get back to administering his own kingdom, and grudging the time spent away from that kingdom at frequent Executive meetings, would have found progress towards unification a slow and difficult matter.

As it is, such progress is not easy; but in this initial stage of unification it is much more likely to take place under an Executive

whose members have functional responsibilities each covering the entire railway system, than under any assembly, however enlightened, of Regional or System General Managers.

Moreover, the functional members of the Railway Executive are not merely technical experts; each is an experienced administrator, accustomed to controlling Departments with a staff numbering many thousands.

In practice, the position of Chief Regional Officer has not proved to be anything like as difficult as it looked on paper, largely because the individuals appointed to these positions were men of character and achievement, whose guidance was appreciated and welcomed by the heads of Regional Departments. Chief Regional Officers are kept fully advised of what is happening by receiving copies of any important letters that pass between the functional Members of the Executive and their Regional Departmental Officers, and are able to carry out their function of co-ordinating and making effective the policy of the Executive within their respective Regions. For some time now Chief Regional Officers have been attending by invitation one meeting of the Railway Executive each fortnight; and the personal contacts and free exchanges of views which are thus made possible seem to have helped considerably in the smooth working of the railway organisation.

Within the Regions themselves certain changes have taken place, including the combination of freight and passenger commercial work under single Commercial Superintendents where this had not already been done (there is one Region where this change has not yet been carried out), and the assumption of responsibility for goods terminal work by the Commercial Department, in order to provide a closer liaison between terminal and cartage operations. There has also been some tidying up of regional boundaries by the transfer of penetrating lines and absorption of joint lines; and in due course the consideration already given to the revision of District Officers' responsibilities in Scotland will be extended to other Regions which still maintain their separate District Officers in cities served by two or more Regions.

The basic fact to remember in railway organisation is that this

organisation has evolved during a century of experience, and that it is essential to proceed cautiously in adjusting the differing systems preferred by the various railway companies to achieve a single standard.

(b) *Road Transport Executive.* On the road-haulage side a new national organisation has to be built up to weld together all those undertakings engaged in the long-distance carriage of goods and merchandise by road, which under the provisions of Part III of the Transport Act have to be compulsorily acquired by or on behalf of the Commission and which have to be welded into a homogeneous whole. The remarks under this head are deliberately confined to road haulage because the procedure laid down under the Transport Act in connection with road-passenger undertakings is quite different, and these can only be acquired compulsorily by means of area schemes to be prepared and promulgated under Part IV of the Act, and no blue-print of the appropriate organisation can yet be referred to in public until a scheme of this character has been prepared and published.

Preliminary steps for this purpose are now being taken, and one of them has been the acquisition by the Commission, by means of a large share purchase, of the controlling interest in the Bus Companies in the Tilling Group, and it is well known that other negotiations of the same character are in progress.

On the road-haulage side, however, the principle of the organisation which is being set up, as with the Railway Executive, is to decentralise everything that can be decentralised, subject always to the necessity of retaining the degree of unified policy essential to a publicly owned undertaking which is under an obligation to treat all its customers on the same basis.

The Road Transport Executive itself consists of a Chairman, four full-time and three part-time members. The Chairman himself is also free from heavy functional responsibilities of a technical nature, but the remaining full-time members are regarded as functional experts in the spheres of engineering, operations, organisation and personnel matters. Each of the functional members of the Executive is assisted by a part-time member and has appropriate Chief Officers acting under his instructions, but the Secretary of the Executive (who is also their

legal adviser), the Chief Financial Officer and the Public Relations Officer report to the Chairman and to the Executive as a whole.

Under the Executive, road-freight transport will be administered through eight Divisional Managers, all of whom have been appointed. They in turn will control District Managers, probably about six per Division, and District Managers will control Unit Managers, each Unit Manager operating a fleet which will average 100-120 vehicles. Chief Officers at Headquarters may all correspond on their own subjects with Divisional Managers, who will be assisted by officers dealing with traffic, engineering, accountancy, staff and welfare, stores and property matters.

This organisation is being built up now, and everyone concerned is fully conscious of the need for ensuring that throughout the organisation authority matches responsibility, and for encouraging initiative and decision at all levels, particularly the Unit level, so that the operation of vehicles in an industry which has hitherto been so individualistic may not be hampered by rigid and remote control.

Space does not permit the dealing in any detail with the other three Executives. It must suffice to say that the Docks and Inland Waterways and the Hotels Executives are building up their organisations on lines which are on the whole similar to that outlined for the road-haulage side of the Road Transport Executive, and that the London Transport Executive has automatically succeeded to the capable and efficient organisation which Lord Ashfield built up for the London Passenger Transport Board.

(c) *Relations between Commission and Executives.* Turning also to the manner in which the operations of the Executives are controlled and co-ordinated by the Commission with the view to the accomplishment of that integration of inland transport which is the objective and the justification of the Transport Act, it should be noted that within the scope of the powers delegated to them, each Executive has a large measure of independence and manages its own affairs; but the duty of the Commission to formulate policy cannot be effected without the closest contact and co-operation with the Executives, who must, and do, from day to day keep the Commission fully informed as to their problems and developments.

Speaking generally, the Commission in formal Directions to each Executive has laid down the limits under which each Executive may operate independently of the Commission, as, for instance, that the London Transport Executive may spend up to £50,000 on a New Works project without the necessity of a formal submission for the Commission's approval. But on all important matters it is the practice for each Executive (and on occasions for more than one Executive) to submit formal reports to the Commission in much the same way as the General Manager of one of the main-line Railway Companies in the past submitted his reports to the monthly meetings of his Directors. These reports normally follow the official channel of Executive Secretary to Commission Secretary, and it is the duty of the Chief Secretary's organisation at the Commission's Headquarters to consider these reports and to submit them, with the appropriate comments, if they appear to raise questions upon which wider interests than those of a single Executive are involved, or matters which may affect principles which have been laid down or decisions which have already been taken in other directions.

It follows that many cases arise where direct discussions between the members of the Commission and the members of the Executive are both necessary and desirable, and accordingly meetings between the Commission and the members of the Executives frequently take place, those with the Railway Executive being arranged at not less than regular monthly intervals.

It will be readily understood that the closest contact is very necessary on all questions relating to the staffs of the Executives and the many problems of wages and other conditions of service which must arise in so vast an undertaking, and machinery has already been set up for regular meetings of the Staff Officers of the various Executives, which are attended by the Principal Staff Officer of the Commission, who deals with Staff and Establishment matters.

The flow of business from the Executives to the office of the Commission is therefore of very considerable volume, and the Commission sets apart Tuesday and Thursday mornings of each week for formal meetings, at which it records its decision on matters of current business which are submitted to it, and

at which consideration is also given to the separate minutes of each Executive, which are forwarded regularly to the Commission by way of record of the business which the Executives are transacting.

### *Special Problems*

There are, however, three particular directions in which the general procedure has had to be developed and adapted to deal with particular problems. These are :—

- (1) Charges Policy.
- (2) Common Services.
- (3) Staff Consultations.

In regard to charges, it will be readily understood that a common policy is required to achieve the integration of rail and road services throughout the country, and here the burden of leadership clearly rests with the Commission itself. The Transport Act has given to the Commission a very considerable measure of freedom on this subject. Under Part V the Commission has been given the duty to formulate Charges Schemes which when approved by the Transport Tribunal (a body which is in effect the Railway Rates Tribunal constituted by the Railways Act, 1921, under a new name and with a wider scope) will supersede all existing charging powers. This task is one of such obvious importance that the Commission have not included it in any of the Schemes of Delegation issued to the Executives, but have retained it in their own hands.

A special body known as the Charges Committee has been set up by the Commission under the chairmanship of Sir William Wood, on which the principal Executives are represented, and which is in turn served by appropriate sub-committees of experienced officers for the goods and passenger side of each form of transport. This special organisation has already made good progress with the preliminary work, such as the formulation of a new goods classification, on which the Charges Schemes will be based, but it should be emphasised that this is a special piece of machinery which exists quite apart from the normal administrative machinery of the undertaking.

The question of Common Services, however, is a rather

different problem which affects those subsidiary services which are not directly concerned with the management and operation of transport, but which must necessarily be provided for every large commercial undertaking. Two of the most typical are perhaps the Legal Service and the Public Relations Service. As regards the Legal Service, it is clear, from the experience of the railways in the past, that there is ample justification, both from the point of view of finance and of general convenience, for a full-time service of experienced solicitors, and the aim is to widen the scope of the existing railway organisation to cover the whole organisation of the Commission; thus the greater part of the routine legal work which has to be performed throughout the undertaking, as, for example, the acquisition and letting of land, the settlement of legal disputes on claims arising from loss or injury, and the prosecution of pilferers or other offenders will be performed by the same organisation which can serve every Executive, notwithstanding the fact that each Executive has a separate legal existence of its own.

Similarly, in the sphere of Public Relations, confusion and waste could only too readily result if each Executive worked on independent lines, not only at its own headquarters, but throughout the country. Here community of thought and outlook, co-ordinated through the Chief Public Relations Officer of the Commission, is to be a feature of the organisation which is now being developed.

The third problem—that of Staff Consultation—is perhaps the most difficult and vital of the three. It is, indeed, one of the main tasks of the Commission to foster throughout its entire undertaking an outlook not exclusively railway, or road, or inland waterway, but one which will be wide enough to see transport as a whole. Every man in transport today—and the present number of about 800,000 may soon grow to nearly a million—has been brought up and trained in one or other of the particular branches and has a natural loyalty to his own branch. This loyalty must be enlarged beyond the interest of a particular Executive into a greater loyalty to the undertaking as a whole. The Commission have therefore to explain their problems and their policy to their staff at all levels; and equally they have to discover and solve

the problems and difficulties which beset their staff in their daily work. A bridge has to be built between the ultimate authority and the man on the job, and it is with this end in view that the Commission have recently created a British Transport Joint Consultative Council at which members of the Commission and of the Executives will meet the principal officers of the larger Trades Unions representative of their staff, at which all current problems of the undertaking, other than those concerned with conditions of service, will be discussed, and at which the fullest and freest exchange of views will be possible. Staff problems, of course, must naturally follow the machinery of negotiation, which is already, on the railway side, the subject of long-standing agreements, and which will be similarly developed on the road side under the provisions of Part VIII of the Act. At the officer level it is hoped that contact and co-operation will be achieved by the holding of regular conferences as a permanent and, potentially, valuable feature of the organisation of the Commission.

### *Conclusion*

This paper has attempted the description of the organisation of the British Transport Commission, and says something of its objectives and its problems. The organisation is very young, and there is much to learn. But in all activities the members of the Commission are continuously reviewing methods and results, and are more than prepared to make changes wherever the need for change is established. It would appear already that there is sufficient flexibility to foster the right kind of growth, and confidence seems justified that the wise direction which the Commission give to all the talent available at all levels in their vast undertaking will in due course achieve that tremendous objective which Parliament has given to it—a national transport service which is adequate, efficient, economical and properly integrated.

## THE PRUDENTIAL ASSURANCE COMPANY LIMITED

by K. A. USHERWOOD, F.I.A.  
(*Deputy General Manager*)

THE object of this paper is to give a concise outline of the organisation of the Prudential, together with some general comments on the principles upon which that organisation has been developed. It is not intended to discuss the general principles of organisation as applied to that Company, it being rather for the reader, in the light of the whole series of these papers, and especially the opening and closing ones, to form his own observations. That general purpose will of course be kept in mind.

The operations of an Insurance company may be summarised, in the broadest terms, as firstly the acceptance of risks and the collection of premiums, secondly the investment of moneys, and thirdly the payment of claims. That statement is true both of Life and of other forms of insurance, although the emphasis differs somewhat; in Life insurance, for example, the greater duration of the contracts and the different nature of the contingencies insured against imply a relatively much greater importance for investments than is the case in Fire and Accident insurance. Since an Assurance company deals in money, and not in goods, and since, moreover, its contracts are often of many years' duration, its organisation is to a very material extent based on, or interwoven with, its accounting system.

The Prudential is probably best known to the reader in the field of Industrial Insurance, i.e., Life Insurance on which premiums are received at weekly or monthly intervals through the medium of collectors (to use the phraseology of the Industrial Assurance Act). This business is transacted within the United Kingdom. In addition, the Company carries on Ordinary Life Insurance—that is, Life Insurance on which premiums are payable yearly, half yearly or quarterly, both in this country and in the Dominions, and General Insurance (Fire, Accident and Marine)

both in Great Britain and the Dominions and in a number of other overseas territories. The three branches of the Company, though closely interwoven in organisation, are in fact separated for accounting and similar purposes, and this is rendered necessary by reason of the differing characteristics of the business.

The descriptions given herein are not confined to the Prudential, although their combination may be unique. Certain other Companies, for example, transact a proportionately much greater volume of General Insurance, although with much smaller Life accounts.

It is proposed to deal first with the United Kingdom field organisation, describing it from the bottom upwards; and later to outline what may be described as the principles of government and the association with that work of other functions not so far mentioned.

In this country the basis of the organisation is the agent. Each agent works in a defined area, varying in size from a few hundred yards square in parts of the big cities to hundreds of square miles in the remoter parts of the country. Within his area, with the assistance of his Supervisors, he is responsible for all three branches of the Company's business. It may seem only logical that the country should be so divided into areas, in order to eliminate overlapping, but it was a major operation to establish the system. At that time (some thirty-five years ago) there were over 17,000 agents whose areas of operation did overlap; and the process of re-classifying the business was lengthy, taking in fact about ten years. The Company is now represented by about 13,000 agents, handling, of course, several times the volume of business. Even when areas have been so delimited, a constant need for adjustments arises. As far as practicable each agent carries the same load, due allowance being made, of course, for the nature of his area. This being so, and it is not suggested that it can be more than approximately true, it does not remain so. The volume of business has developed, and this in itself means additional agencies formed by the redrawing of boundaries. Business may develop more in one area than another; or the plans of the authorities may create whole townships where previously there were only fields.

Such developments mean the re-drawing of boundaries, and often the formation of new agencies, while shifts of population may also involve the telescoping of agencies; the outstanding example of this last is to be found in the experience gained in London during the war. There is much work on the mechanical records side in these adjustments.

The agent is responsible for the collection of premiums in both Industrial and Ordinary Branches, for canvassing for new business and for paying most claims, surrender values and so on. The organisation of the Company probably differs from those discussed in other chapters of this series in that the Prudential agent in this country, although a whole-time salaried representative of the Company, is not an employee in the clerical sense of the term. Although supervised and assisted, he spends a large part of his time on his own responsibility, and the organisation of his work is very largely a matter for himself, although custom and convenience play a large part. Industrial premium collections, for example, normally take place between Friday afternoon and Tuesday morning. The agent's other duties are conducted either in the course of his collections or by special calls in the rest of the week. Until the coming into force of the National Insurance Act in July 1948, he had also to pay sickness benefit, and otherwise attend to the wants of those members of the Prudential Approved Societies who lived in the area of his agency.

A group of five to seven agents constitutes a "section", and is under the charge of the Section Superintendent; his duties include supervision and assistance, especially to the new man, periodical audits as required by the Company and a large share of sales work. Sections in their turn are grouped into Districts, generally of three to five sections, under the charge of a District Manager.

By force of circumstances the 700-odd Districts vary somewhat in size and in opportunity. Normal recruitment to the Field Staff is only from the Agency ranks, and promotion to the grades of Section Superintendent and District Manager is based upon merit in administration and upon success in results.

A promotion to District Manager gives a man one of the

smaller districts, and with further achievement he may look for transfer to a larger area. Below this grade, however, promotions are usually local in character, and even among District Managers in this days of housing difficulties transfers are much less easy to arrange than formerly.

Each District Manager has a small office, which is largely personal, where he carries out only such functions as are involved in the administration of his district. Most District Managers will spend a large proportion of their time with their staff, giving a personal attention to the larger assurance cases—for example, seeing that claims are paid properly and so on.

Above the grade of District Manager it has been found convenient to sub-divide the country into fourteen regions termed "Divisions". The principal office of each such area is in one of the larger provincial cities, and is headed by a Divisional Inspector. This title is given to the senior grade of the Company's Field Staff, recruited from the ranks of the District Managers. Each Inspector's area will include from forty to sixty Districts, and the administration of those Districts is in their hands, in association with officials at the Chief Office. They should know their District Managers intimately, their Section Superintendents reasonably well, and see each member of their Agency staff about once a year. It is these requirements that determine the optimum size of a Divisional Inspector's area. It should perhaps again be remarked that the physical distribution of the staff is a factor vitally affecting problems of organisation; staff are not organised in groups, but one by one throughout the country.

The organisation so far described has been confined to the Field side. The premiums each agent collects, of which he keeps individual account, are not, however, passed upwards through his Section Superintendent to his District Manager and above. There are some eighty District Offices, whose principal functions are threefold: (1) to receive the agents' premiums, to amalgamate the agents' accounts into one account for the District and to transmit that account and the money to Chief Office; (2) to maintain the Register of policies in force; (3) on claims by death or maturity of endowment up to a certain amount in the Industrial Branch, to verify from their registers the policies in force and

authorise payment of the amount due. Claims on Ordinary Life Policies, being of larger amount and involving sometimes difficult questions of probate, are dealt with at Chief Office.

Working in association with the organisation in the Districts, and under the control of the Divisional Inspector, there is in each Division a relatively small number of experts specialising in the work of each Branch. They work in association with those members of the District Staff to whom they may from time to time be allocated. The special representatives for the Fire and Accident business are perhaps rather more technical in qualification than those of the other branches, and their duties include the assessment and survey of risks and negotiation of claims. This specialist staff is recruited from District staff, and many of them in due course attain the rank of District Managers.

No central record is kept of the premiums received on each Branch policy. An exact account is, however, kept of the total amount of Industrial premiums due each week or month on each agency. Each week the agent completes an account in which he is debited with the amount of premiums due and credited with the premiums which he reports as having been collected. If a policy-holder moves from his area the agent notifies Chief Office of the change of address and ceases, of course, to collect premiums. When contact is established with the policy-holder at his new address, the policy is included in the weekly list of authorised amendments to the agent's register of policies in force; he is at the same time instructed to adjust for the amount of premiums due but not paid in the meantime. This may seem a cumbrous procedure, but there is no other option for it unless a record were to be kept at Chief Office of the payment of premiums on each of many millions of policies or, alternatively, the Company were to rely wholly upon the agent without any cross-check. In fact, even Chief Office does not deal with the additions to or deductions from the list of policies in force for each agent. Chief Office records are maintained only for each District, and the District Office sub-divides the District adjustments into those for the separate agencies. Plans are now in formation for carrying the agency details direct on the Chief Office mechanical records, but the change will take some time.

In effect the only record of individual premium payments is kept by the agent, but periodical checks or audits are carried through by the Section Superintendent, one of which involves a detailed comparison of the agent's books with the receipt-books in the hands of the policy-holder. A similar audit is necessary whenever an agent leaves the Company's service, or is promoted, and is replaced by a new man.

The District Office, whose records are supplied by Chief Office, is in the position to certify that a policy is "in force"—i.e., has not been removed from the agent's list of "in force". This certificate is necessary, for example, before a claim is paid. The District Office, through having the particulars in bulk for each agency, is also able to supply the figures of achievement and of maintenance of premium collections for each agent.

That outline completes the Life organisation in this country outside Chief Office. The relevant functions of Chief Office may be summarised as the management of:—

(1) A regional organisation which controls the activities of the Field staff.

(2) The departments which, so to speak, carry on the business of insurance proper—i.e., accept risks, prepare and issue policies, keep account of Ordinary Branch renewal premiums (where each individual premium is recorded) and pay claims.

For many years the whole basis of the Life organisation at the Chief Office was regional. For each of the Divisional areas previously referred to there was in Chief Office a Sub-manager, the *vis-à-vis* of the Divisional Inspector in the provinces. To this Sub-manager was attached what amounted to a complete insurance office in the shape of Departments for issuing policies, for recording premiums, for paying claims and so on. Each of these departments, consisting of perhaps twenty clerks, was headed by a Principal Clerk, with other clerks of senior grades to assist him, and each group of Principal Clerks were responsible to their Sub-manager. Special measures were, of course, necessary to ensure uniformity of treatment and approach between departments carrying out the same functions for different parts of

the country. The system had a number of defects. In particular, the Sub-manager could not necessarily be expert in the work of each and all of his departments, and he was, in fact, primarily interested in Field Staff administration; and, further, special measures were necessary to ensure co-operation and uniformity of practice between different areas. The need to ensure a proper degree of uniformity is a problem of all large organisations.

Some fifteen years ago the system was reformed. The work, for example, of the Claim Department was centralised under an official termed a Controller. The fourteen Departments so combined have undergone a considerable degree of merger and reclassification. In general, these Departments are now organised on a functional basis, although there are in some instances geographical sub-divisions.

The functions of the Sub-managers, now termed Divisional Managers, were thus limited to Field Staff administration, and instead of having one such official to each Division, the number is now one to each pair.

These Divisional Managers form the link through which the manifold matters affecting the Field Staff are dealt with. They are located in the Chief Office, but they spend a considerable proportion of their time with the Divisional Inspectors in their offices or travelling the Districts. The Divisional Manager is therefore in a position to "vet" or endorse the recommendations of the Inspectors in matters of promotion and so on. In this context, great weight is given to the maxim that justice should not only be done, but that it should manifestly be seen to be done, and much value is attached to personal contacts and acquaintance. For many years past each of the 700 District Managers has paid an annual visit to Chief Office for interviews, necessarily brief, with the General Manager and others of the Management, and longer sessions with his Divisional Manager and the Agency Department.

The departments at Chief Office which directly serve the Divisional Managers deal with adjustments in Agency boundaries; they are responsible for administration of the District Managers' Offices and the application of the National Insurance scheme, for the arrangements for holidays among the Agency

staff (in conjunction with the District Managers), for the checking of the periodical agency audits and for any failures, or apparent failures, to adhere to the Company's instructions. They supply the returns by which the Management measure and judge the progress of the Company and of individual Divisions, Districts and Agencies.

They are also responsible for the authorisation of the earnings of the Field Staff (with the assistance of the departments recording the payment of ordinary and general premiums); but in respect of Income Tax it has been found convenient to centralise all payments to both Field and Clerical staff in one unit with the aid of bookkeeping machines.

From time to time consideration has been given to the question whether more of this work could not also be centralised, probably on a mechanical basis. One obvious disadvantage would be that the Agency departments would be liable to lose touch with the special features of different areas or districts. The local knowledge which in their present form these Departments possess, and the continuity which they achieve through association with individuals on the Field Staff, are of real value. It also forms part of a necessary training and experience of their senior members and of prospective Divisional Managers, who normally come up from their ranks, and some of this value would be lost if too much of their work, which deals with men rather than with money or contracts, were to be centralised.

In the case of the Industrial Branch, the core, as it were, of the Company's recording system is a punched card relating to each individual policy. These cards are kept at Chief Office and extracted when a policy is in need of attention—when it becomes a claim, a free policy or is surrendered, or the policy-holder moves to another area. It is from the weekly movement of these cards that the sheets are printed which go out to the District Offices to constitute the statement of additions to and deductions from their Register of policies in force; from which, in turn, the agents are authorised to add to or deduct from their own list. These cards, or duplicates of them, also form the basis of the information by means of which the Company's Actuary makes his annual assessment of liabilities—i.e., of the amount of investments

which with interest thereon and with future premiums will suffice to pay the policy moneys when due.

In the Ordinary Branch a similar but more complex card again forms the basis both of valuation and of premium records.

This description of the chain of authority and relationship between the Field Staff, the District Offices and Chief Office applies primarily to the Life Branches. In Fire and Accident work it has been found convenient to decentralise authority to the Divisional Offices; where a senior official (termed a Divisional Controller) is responsible, within his instructions, for the administration of all Fire and Accident matters in his area: both as to the acceptance of risks, the collection of premiums and the payment of claims. At one time the central records from which premium notices were printed were maintained at Chief Office on a mechanised basis. It was found, however, that alterations to policies play a very much greater part in Fire and Accident business than in Life assurance. Few policies on household goods remain unaltered for more than a short time. At the outbreak of war nearly all the Chief Office organisation (which in any event related only to records) was decentralised to the fourteen Divisional offices, and it has been found more satisfactory not to recentralise. The system is not, therefore, now mechanised.

The function of Chief Office in the Home Fire and Accident business is to guide the Divisional Controllers on matters of policy, to fix the limits up to which they may insure on various classes of risk, to assist or direct them on specially large or difficult risks, and to carry out the reinsurance process by which Fire and Accident Insurance Companies spread their risks among themselves. These Divisional Offices in the General Branch are usually associated with the larger District Offices engaged in Life assurance.

Side by side with these departments at Chief Office and elsewhere which carry out insurance business proper and administer the Field Staff, there are others of special function. All purchases of supplies, for example, are handled by a Stores Department in three main sections—one for all printing and stationery, another for furniture and equipment, and a third which runs the staff canteen and the luncheon clubs for senior officials. The

opportunities which these clubs give to senior officials to meet one another are of real value. Their duties might otherwise bring them into only infrequent contact, and the clubs permit them to meet daily in a less official atmosphere than at their desks or over the telephone. The functions of certain other departments will be conveyed by their names: these include Publicity, Staff Pensions and Postal. Like the Departments mentioned, each is headed by an officer responsible to one of the Assistant General Managers.

Most of the legal work—itsself a major activity—is handled by a legal department headed by solicitors, of whom the senior is entitled Solicitor to the Company and ranks with the Management. His assistants tend to specialise in particular aspects or processes of their work—conveyancing, policy drafting and occasionally, but inevitably, litigation.

Following on that description of one side of the organisation, it is time to consider the top of the Executive level—using the word in its business and not in its Civil Service sense. At its head is the General Manager; and associated with him, besides his Deputies and Assistants, are two other groups of officials responsible for specialised sides of the business. The Company's Actuary is responsible for the determination of rates of premium for all Life policies, and for making the annual valuation or estimate of liabilities. For this purpose he has Assistant Actuaries working with him, and under them officials and Departments. These include a considerable proportion of qualified actuaries who work in contact at all appropriate levels with the Managerial Departments already described. The Actuary is also responsible for cost-accounting and expense analyses, and for actuarial problems arising out of Fire and Accident business. So far as the United Kingdom is concerned, all actuarial work is centralised at Chief Office.

As a somewhat special arrangement, all the substantial volume of work relating to group Pensions Schemes for the employees of commercial firms is carried out by a "Group Department" responsible to the Actuary. This is virtually a separate Insurance Office, dealing with the issue of policies (often a very complex matter), collection of premiums and payment of pensions. It has

been found that this class of business is so highly specialised that almost complete separation is the most satisfactory method. In the senior grades the work calls for a good deal of actuarial knowledge, and for that reason the Department is among those responsible to the Company's Actuary.

A separate Actuarial Department is maintained to deal with Life business overseas.

The other senior members of the Management, with the General Manager and the Actuary, are the Joint Secretaries, whose major functions cover not only those normally appertaining to the Secretaries of registered Companies—i.e., maintenance of the register of shareholders, preparation of accounts, taxation, etc.—but also the functions of investment management; these activities play a very large part in the affairs of a Life Assurance Company, and all such companies have one or more among their senior officials who are charged with these special responsibilities, sometimes with the title of Investment Manager; in the case of the Prudential these responsibilities rest with the Joint Secretaries. They have three Assistant Secretaries working with them, of whom two are concerned primarily with investment matters, and the third with accounting and taxation. Departments deal with different sections of the maintenance and preparation of the Company's accounts, including the receipt of interest and rents and the assessment and payment of taxation, and others dealing with the receipt and payment of cash. For the actual processes involved in the making of investments, the work is sub-divided. In the first place, a small specialist department briefs and advises the Secretaries on investment proposals of Stock Exchange or similar character which may interest them, and another department deals with mortgages. A separate department is responsible for carrying out the actual formalities of completion, payment and delivery. This affords an illustration of the principle that authority to purchase should not be in the same hands as that for payment.

The Company has substantial interests in property and buildings, and the Estate Department, under the Chief Surveyor and with a number of other qualified surveyors, is responsible for advising on purchases or sales. In view of the size of the Com-

pany's interests, it has been found worth while to administer all properties direct. The Estate Department therefore itself carries out the repair, maintenance and management of buildings, including our office buildings. The Chief Engineer and his technical and operative staff are responsible to the Chief Surveyor.

The Company, like other Insurance Companies, acts as Executor and Trustee for private Trusts and as Trustee for Debenture issues, and this work, although legally classified with Fire and Accident business, is for convenience administered through a Department under the Secretaries.

Investment control is centralised in Chief Office; investment proposals are considered by the Secretaries who are the Board's advisers on these matters and who carry out the Board's decisions. The Board's authority is in part delegated to a Finance Committee of its members—with whom, in addition to the Secretaries, sit the General Manager and the Actuary. In respect of other matters outside the United Kingdom (accounting in particular), the Secretaries have for convenience delegated certain functions, and this will be described in this paper.

The question of co-ordination is of course one of primary importance. The General Manager, the Joint Secretaries and the Actuary, with the two Deputy Managers, constitute a semi-formal Management Committee which meets at least weekly. The matters discussed may vary from those in which all sides of the Management are deeply concerned to others within the scope of an individual member yet of sufficient importance or interest to require general consideration.

There is no fixed establishment for Management grades, and the division of responsibilities among them tends to vary over the years according to the experience and abilities of the officials concerned. The Assistant Secretaries have already been mentioned; of the Assistant Actuaries one specialises in Industrial Branch work, one in overseas matters and Fire and Accident business and the third in Home Ordinary Branch and pension matters. Of the Assistant Managers, one has normally dealt with Fire and Accident business, and one with Ordinary Branch work, while another specially co-ordinates and directs the work of the seven

Divisional Managers. There is close co-ordination among the Assistant Managers, Assistant Secretaries and Assistant Actuaries, according to their special responsibilities. The whole of the Management are located in one part of the main building.

The Management is responsible to the Board of Directors, and the Board is the controlling authority responsible to shareholders and policy-holders in particular, and in a more general sense to the public at large. There is some analogy, although it cannot be pressed too far, between the Board of a Company and the Minister in a Government Department. To the Board matters of major importance or policy are submitted (through the Finance Committee when appropriate), matters involving fresh points of principle, and sometimes matters which are none of these, but which are of particular interest. The senior members of the Management, although they are not members of the Board, sit with it. Other members of the Management attend Board meetings, with a view to achieving continuity and knowledge of views and policy.

Both the Board as such, and certain committees of the Board, have also formal or routine functions which arise from the fact that one of the responsibilities of Directors is to retain a direct check on the custody of securities, the collection of interest and other matters.

So far discussion has been limited to the Company's operations within the United Kingdom. For Life business in the Dominions, each Head Office is in charge of a Manager, with whom are associated an Actuary and other senior officials. The responsibility for the organisation, the obtaining and administration of business are very largely delegated to the Overseas Manager and his colleagues. Returns and accounts in some detail are submitted from each of the Overseas territories in order to give a clear picture of what is going on, but the Overseas Manager has wide authority. In financial matters the bases for rates of premium and the broad terms of remuneration of the staff are sanctioned centrally, after discussion with the Overseas Manager and Actuary. The Overseas Managements are expected to keep London informed both of the broad picture and of any interesting detail, as well as of any matters of serious principle, and it is very

largely a matter for them to determine what should be and what need not be submitted before action.

The Overseas Life Branches were mostly founded in the early 1930's. At that time a handful of men was sent out to each territory to act as senior officials at the Overseas Head Office. The Field Staff was entirely recruited locally. By this means it was hoped to establish a compromise in each territory between local methods and custom and the Company's own "tradition"—a hope which has been substantially achieved.

As time has passed the emphasis has shifted, and the Overseas Managements now include men both from this country and others who came into the organisations locally, the Manager being in either category. The Company's policy is likely to favour the appointment of the best man irrespective of his place of recruitment, but the Overseas Managements are still likely to have among them some men recruited in this country.

One very important function of the Branch Actuary overseas is to carry out the annual valuation of liabilities locally on bases given to him from London. To all intents and purposes, the Overseas Branch is treated internally as if it were a separate company, whose accounts at the end of each year are merged with those of the parent Company. Although this method involves decentralisation of skilled work, it does facilitate the preparation of the necessary returns in a reasonable period, and it also obviates the necessity of carrying on the London records the particulars of each individual policy issued in an Overseas Branch.

Fundamental to the administration of the Overseas Branches is the interchange of personal contact and experience. Overseas Managers and Actuaries visit this country at periodic intervals for leave, in which business meetings are likely to take a large share. Equally, members of the Management have visited the Overseas territories, and will continue to do so, in order that they may attain a close understanding not only with the man at the top but also of the details of each organisation and the special conditions in each territory. This contact is supplemented by correspondence and periodical reports, but too much emphasis cannot be laid on the fundamental importance of personal acquaintance; moreover, these must not be too brief or too hurried. Overseas

tours can be exhausting affairs, but they are the only way of keeping in full touch.

In London there are relatively small departments dealing with Overseas Life and General business, whose function is to keep the necessary records relating to overseas business, to maintain such degree of uniformity as is appropriate, and to provide continuous liaison between the Overseas Managers and the Management at home.

The Company's Fire and Accident business overseas is administered either through a Branch or by means of an agency. The Branches are those in the Dominions, and are integrated very closely with the Life organisation at the top, although the degree of integration in the field depends on the circumstances of each territory. In these cases the Overseas Manager and his Assistants on the Fire and Accident side carry much the same responsibilities as they do in Life business; particulars of individual risks are not submitted to London. The agencies are situated in countries where the Company has no Branch. A firm, generally one with other business interests, may hold an agency for the administration of business in that territory. They will appoint other firms as individual agents, but all particulars will come from the general agents to Chief Office. In the case of agencies more detailed particulars of individual risks and policies are maintained in London.

In the United States of America business is not transacted direct with the public, and a subsidiary Company transacts Fire re-insurance alone. Being, however, a separate Company, it has a very large degree of independence, and is outside the scope of this discussion.

Reference was made earlier to the transaction of Marine Insurance, but it has not featured in the detailed description. Marine Insurance is one of the oldest forms of insurance and is in many ways highly specialised. Like a number of other Companies, the Prudential has found it convenient to separate Marine organisation almost entirely from that of Fire and Accident business. It is transacted principally from an office in the City of London, where so much takes place to do with shipping and insurance. The Marine office handles any business which may arise

in this country through any other of the Company's connections; and overseas quite a proportion of the Fire and Accident representatives transact Marine business through separate accounts with the Marine Department. The Marine Underwriter is responsible to the Management.

A matter of great importance to any large organisation is the recruitment of its staff. For the Home Field Staff, who must live "on the ground", recruitment is of course almost entirely a local matter; the selection of candidates is effectively in the hands of District Managers, and their approval in those of Divisional Inspectors, who are able in nearly all cases to interview candidates.

All matters relating to the Clerical Staff in the United Kingdom are in the charge of a Staff Controller at Chief Office. He has two Deputies, one for the District Office staff, who works in many matters through the Divisional Principal Clerks, and the other for Chief Office staff matters. The staff at Chief Office numbers 2,800, of whom 1,200 are males.

A substantial proportion of the female staff is now engaged on duties connected with punched-card, book-keeping and similar mechanised work, and have a higher rate of staff turnover. At one time the proportion of male staff was higher, but the progressive reduction of routine clerical work and its replacement by mechanised processes have had their effect, and may continue to do so. Nevertheless, a fairly level flow of entrants to the male staff is needed in order to prevent an abnormal age-distribution. Neither peaks nor valleys in the age-distribution curve of the staff are conducive to an even flow of experienced and capable candidates for the senior posts, and serious inequalities of opportunity may thus arise.

Before the war the age of recruitment for the male clerical staff, with few exceptions, was in the neighbourhood of seventeen. Under present conditions this has been extended to about twenty-five. There is a small sprinkling of University graduates, and it is the intention to continue this; it is made clear to graduates, as to others, that they will sink or swim on their merits.

Men are not appointed from outside to senior posts except in unusual circumstances—as, for example, when Fire and Accident

business was first embarked upon in the 1920's or in somewhat similar rapid expansions of business. Rightly or wrongly, this is regarded as a valuable tradition, and one tending to the development of an *esprit de corps*.

Considerable value is placed on the acquisition by junior staff of professional or general insurance qualifications. This is partly because professionally qualified men are necessary (actuaries, solicitors and surveyors among them), and partly for more general reasons. It might perhaps be added that the possession of a professional qualification does not bar a man from administrative posts.

This outline of the Prudential's organisation is necessarily much compressed. It is, however, an attempt to describe, in the space available, something of the mechanism and of its operation. The object of those responsible is to administer the organisation and its problems in a manner which is both business-like and human.

## THE BANK OF ENGLAND

by F. W. R. LAVERACK  
(*Inspector, Bank of England*)

MR. SIMPSON, in his introductory contribution to this series of papers, covered a wide field of organisational matters and expressed the hope that subsequent papers would deal with some of the more controversial points he raised. This is a task, then, to be approached with temerity, lest there should be failure to pinpoint those particular problems of organisation which have been stated. It should be borne in mind that the object of these papers is not to establish principles, but more simply to try to discover the elements or characteristics of large-scale organisations, and the manner in which they are dealt with, in relation to their particular activities. It is recognised that there is no intention to cover the whole field of directional management: the subject is instead limited to the organisation of undertakings, and requires a description of the variety of means employed to deal with certain basic functions involved.

The best approach may well be to describe as simply as possible the organisation of the Bank of England, touching on certain matters raised in the introductory paper—where they can be appropriately interspersed in the narrative—and then, with that organisational picture in the mind's eye, to deal with the actual practices of organisation within the structure so described.

It would be best to begin by referring to two points which have an impact on the organisation of the Bank, particularly as they will contrast with the organisation of most of the other institutions to be described in these papers. In the first place, the Bank is not concerned with the control of large area activities, a problem that affects industrial concerns and, of course, many of the Ministries. Except for some eight small branches, to which reference will be made later, the Bank is geographically situated in London, in accommodation not widely spread: to that extent

administration and control are centralised. When new large-scale activities have been undertaken, such as the formation of the Foreign Exchange Control at the outbreak of the war, it has fortunately proved possible to locate them in the Head Office building or in fairly adjacent buildings within the City of London. It will be agreed that this arrangement simplifies control. Other institutions are not so fortunately placed: the growth of a large factory or a branch of a Ministry, situated sometimes in a somewhat remote place in the country, brings with it new problems which may materially affect its organisational structure.

The second point concerns the character and traditions of the Bank. For upwards of 250 years—ever since the Ministers of William III rebelled at the high rates of interest charged by the trading community in loaning money to the Government to carry on the war with Holland—the Bank has acted as bankers to the Government of the day, and the vast amount of practical experience thus gained in facing and surmounting the many monetary problems affecting the country during such a long period of English history has undoubtedly played a part in the present organisation of the Bank. Tradition, which comes from a long history, has great value in binding an organisation, in giving cohesion to divisions of work by uniting them and giving them a sense of continuity.

The principal lines of command to be described are shown in Fig. 6.

Under the Bank of England Act of 1946 the affairs of the Bank are managed by a Court of Directors, consisting of a Governor, a Deputy Governor and sixteen Directors. The term of office of the holders of these positions is laid down under the Act. All appointments are made by the King. The Court may choose and appoint officers and servants of the Bank and generally order and manage its affairs. They may also make Bye-Laws relating to the administration of the Bank. In the top organisation, therefore, the Governor is the administrative head of the Institution, and he has a Deputy to assist him. In order that the Governors may have some help in the day-to-day activities, the Court of Directors have powers to appoint not more than four of their number to devote their services exclusively to the Bank. These Directors,

## BANK OF ENGLAND—ORGANISATION CHART

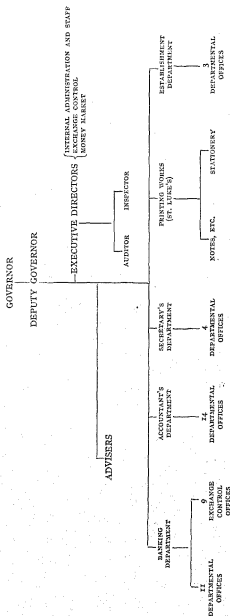


FIG. 6.

who are known as Executive Directors, deal with different spheres of activity: one is in charge of the domestic organisation of the Bank, another is concerned with the Money Market, and two with problems connected with the work of the Exchange Control, which is centred in the Bank, and relations with the Overseas Central Banks. These Executive Directors are all conveniently placed in rooms near the Governors, and are easily accessible to Heads of Departments on matters relating to their own particular interests. This division of interests is most important. It is devised to eliminate the possibility of a bottleneck at a high level, and ensures continuity of policy and the necessary time to give proper and adequate consideration to the many important matters which either impinge upon or indirectly affect the policy and work of the Bank. In passing, it might be mentioned that the principle of spreading top-level administrative control can be seen in the organisation of other Central Banks, not always in exactly the same way, but broadly with the same objective in view. The organisation of the Bank of France, for instance, provides for the appointment of more than one Deputy Governor with executive powers, which in the Bank of England are the responsibilities of the Governors and Executive Directors.

The Court of Directors of the Bank of England meets regularly once a week, but additional meetings may be held on other days should the need arise. The Court is the ultimate authority within the Bank and, in order to facilitate its conduct of affairs, Standing Committees are appointed from among the members of the Court. The most important of these is a Committee which meets weekly: it is kept fully informed of the Bank's affairs, and other Committees report through it to the Court. There are other important Standing Committees which operate as high-level advisory bodies. One is the Staff Committee—the chairman of which is the Executive Director in charge of domestic organisation—which meets monthly, or as occasion may require, to deal with appointments and other matters relating to staff; another is the Audit Committee, which examines the work carried out by the Audit Office of the Bank; a Committee concerned with the Control of Expenditure examines reports and estimates from Heads of Departments; yet another Committee is responsible for the policy

of the Bank's printing works. In addition, Special Committees of Directors may be appointed by the Court from time to time to deal with any particular matters which do not fall within the scope of one or other of the Standing Committees.

For the furtherance of good relations between the Directors and the staff there exists an Advisory Council which is composed of Directors, officials and elected members of the clerical staff representative of all grades. This body discusses staff matters periodically, but is precluded from entering into discussions on questions affecting the policy of the Bank and individual appointments.

Before dealing with the various Departments into which the Bank is divided, mention should be made of a small number of Advisers to the Governors. In a military organisation they would be regarded as "Intelligence", and that is their main function in the Bank. To a large degree their interests are allocated geographically; those interests include the study of the industrial, commercial, financial and economic conditions of the country or group of countries with which each Adviser is concerned. They have no departmental duties: they look outwards: they assist the Governors and Heads of Departments with matters upon which they are specialists, and in some cases carry out certain duties which require the representation of the Bank on bodies outside the Bank's own immediate organisation. It should also be mentioned that as far as possible they, too, are grouped together in adjacent rooms, which allows them opportunities for adequate consultation and exchange of information.

The next level in the organisation concerns the main banking activities, and these are divided into five major Departments. It is proposed to deal with the functions of these Departments one by one and to show how the day-to-day work of the Bank is allocated between them. First of all it would be as well to define the word "Department". As far as the Bank is concerned, Departments represent divisions of work; they are of varying sizes numerically, dependent on the volume of work affecting them. For speed of decision and for other reasons the direction and responsibility for each Department are in the hands of one

man—a chief executive—and those in charge of particular functions or activities within the Department are subordinate to him. It has been suggested that a good definition of the term “organisation” is “the harmonious interrelation of functions and staff”: in the five main divisions of work of the Bank organisation is concerned with the function of a clerical staff of over 6,000 and with the co-ordination of their activities.

The introductory chapter to this book made particular reference to the different ways of dividing work for purposes of organisation, whether by product or by process, by geographical alignment, by markets or by consumers. This point may be dealt with at once, as far as the Bank is concerned, by stating that the organisation of these five Departments is by banking functions: one deals with cash operations, another with stock registration work, another with staff and so on. The method of organising work within the departments varies, but there is good reason for this, and the point will be more fully dealt with in considering separately the activities of each department.

The largest department is the first shown on the chart (Fig. 6), the Banking Department. Some 3,000 people are concerned here, of whom about half are engaged in Banking operations involving cash or credit. Their work embraces, *inter alia*, the issue and withdrawal of notes—that is to say, matters affecting the note circulation of the country; the keeping of Government, bankers', other Central Banks' and private accounts; discounts and the granting of advances, etc. Once a week from this Department a statement is issued to the public, known as the Bank Return, which sets out the current assets and liabilities in two sections—Banking and Issue. This needs to be mentioned here, as it indicates the sort of work allocated to the department.

All cash operations are the responsibility of the Banking Department, as distinct from stock-registration work—which is the function of the next department. Thus the issue of Treasury bills and longer-dated borrowings of the Government or similar services for the Dominion Governments or public bodies is their concern, as is also the receipt of a credit for an existing account or the paying of a cheque drawn on the Bank of England. For purposes of administration the Head of each

Department is helped by one or more Deputies and a number of Assistants, dependent on the work demands of the Department. Thus in referring to the Head of any Department those Deputies and Assistants should be included who collectively carry responsibility for work at that level in the hierarchy.

To revert again to the Banking Department—or Cashier's Department, as it is known colloquially—the next point to consider is the division of work within that Department. Here organisation by process is made possible by dividing the Department into groups of activity, each group being an office within the Department. Actually there are eleven of these offices, each dealing with a cash banking process. There is no need to detail all these offices: it will be sufficient to mention a few to illustrate the organisational point involved.

One of the offices in the Department—the Drawing Office—is responsible for keeping Government, Bankers', Central Banks' and private customers' accounts. The day-to-day work of the Drawing Office corresponds closely to the routine work of a branch of a Joint Stock Bank. It receives cheques for the credit of current accounts, it pays cheques drawn on those accounts, and issues pass-books, or account statements as they are now called. In the Securities Office customers' securities are lodged for safe custody and record; in the Issue Office new notes are issued and notes returned from circulation are paid; the Bill Office collects bills and cheques, and is responsible for presenting them to the London Clearing House and to other bankers and agents not members of the Clearing House; the Intellers' Office is concerned with the issue of new silver coin and the withdrawal of worn coins from circulation. Whilst on this point of varied office functions, one office should be mentioned—the Chief Cashier's Office—which performs common services, such as those relating to investments on behalf of customers, approving advances, and the more complicated banking operations which are non-routine and need to be handled at the departmental level and are therefore centralised in the Head of Department's own office. This office is therefore an exception to the method of organisation by processes adopted generally in the department; but the setting up of separate offices to deal with these important

activities would be uneconomic, because the volume of work would not justify such a course.

Certain other banking activities undertaken in this department must be mentioned in any study of the departmental organisation.

Since 1826 the Bank has had a certain number of country branches. At present they number seven, and are situated at Manchester, Liverpool, Birmingham, Bristol, Leeds, Newcastle and Southampton. These branches act mainly as centres for the distribution and withdrawal of currency. They also keep Government, public and local bankers' accounts, and undertake the supervision of the machinery for clearing local cheques under the control of the local Clearing Bankers' Association. Some of the country branches are also concerned with Exchange Control work, within certain limits. To complete the list of decentralised activities, the existence of an eighth branch should be mentioned—situated in London near the Royal Courts of Justice. This branch is not concerned with note-circulation work or with cheque-clearing duties, and there is, of course, no local Clearing Office; these duties are undertaken by the relative process offices at Head Office. The branch is primarily concerned with certain Government accounts, and particularly with security work arising out of the business of the Law Courts. These branch operations, where they are concerned with Government balances and cash transactions, are reflected in the Bank Return, and therefore form part of the general work of the Banking Department. For purposes of control, the administration of the practical banking side of branch work is vested in the Branch Banks Office, again one of the offices of the Department.

A further large-scale activity forming part of the Cashier's Department is Exchange Control and Overseas relations. At the outbreak of the last war the Bank had a small Foreign Exchange Office which formed part of the Banking Department. Under the Defence (Finance) Regulations 1939 and later the Exchange Control Act of 1947, matters relating to Exchange Control were to be administered by the Treasury through the Bank of England. These two statutory measures place a very heavy load of new work on the Bank, and a staff of about 1,500 people is now

engaged in dealing with the many aspects of the Exchange Control. These new activities had to conform with and be fitted into the general organisation of the Bank. In the early days the Foreign Exchange staff was divided into sections, each concerned with different phases of Exchange Control. In course of time a greatly increased volume of work made it necessary to enlarge each unit into an office. (In addition, an Overseas and Foreign Department which existed at that time was taken over and called the Overseas and Foreign Office.) Thus, a Regulations General Office came into existence, primarily concerned with general applications to spend currency and sterling abroad for either commercial or private purposes; a Securities Control Office was formed to deal with the security work; a Dealing Office and also an Export Permits Office were set up to undertake, respectively, dealings in foreign exchange and the control of currency proceeds of exports. And, of course, there are others. The point to be emphasised is that the most effective way of organising all these new activities was by Exchange Control processes. This, however, does not explain why the Exchange Control Offices form part of the Cashier's Department. The answer is to be found in the shared functional nature of the activities carried out by the Departments and the relations with Overseas Central Banks. Day-to-day control of sterling and the exchanges brings its impact upon the London Money Market and also upon the Cash Offices of the Cashier's Department. In addition, a very large proportion of the functions of Exchange control is concerned directly with banking and bankers, and the delegation of authority to the commercial banks involves close working arrangements with the banks and the market. Mainly for these reasons the Exchange Control group of offices, organised by processes, became part of the Banking Department as shown on the organisation chart (Fig. 6). But in view of the importance and volume of this work, a Deputy Head of department and certain Assistants were specially appointed, under the Executive Head of the department, to carry out those responsibilities arising through the administration of the Defence (Finance) Regulations and the Exchange Control Act.

The Accountant's Department is next for consideration. An

Act of 1714 required the Bank to appoint a Chief Accountant, who is the head of the Accountant's Department. It is true to say that he now exercises duties analogous to those of a Registrar of Stocks, inasmuch as he is responsible for the management of all stocks domiciled at the Bank. These comprise the greater part of the National Debt, together with certain other Government Guaranteed, Colonial and Corporation Stocks. The departmental duties involve the keeping of all records of individual stock-holdings, registration and certification of stock transfers, the issuing of dividend warrants and the other many and varied duties, such as registrations of probate, the examination of general powers of attorney, etc., which fall to the lot of a Company Registrar. The organisational problem which the Bank has to face in this connection is first one of volume of work. The number of Stock Accounts concerned is upwards of 3 million, which represents the issue of more than double that number of dividend payments annually, taking postal and mandated dividends together. In addition, it will be realised that the number of transfers lodged for processing during the course of a year is very great, and the large daily fluctuations in the volume of these documents handled, dependent upon Stock-Market activities and other factors, present a further organisational problem. All this work could of course be organised serially by processes; such an arrangement visualises an office to control, say, all Stock-Account records—one to deal with all certification work, another to cover Stock Registrations, etc. But arranged in this way a major difficulty would be encountered—namely, that of administering offices, each of which would vary considerably in size and staff, dependent on fluctuations in the volume of work. In addition, the movement of documents would be heavy and would necessitate some complicated controls over numbers of pieces of paper moving from office to office. Here the question of optimum size comes to the fore—a point which was mentioned in the introduction to this book. Experience has shown that with this type of work—which might be summarised as the processing of a large but constantly changing daily number of similar documents—sub-division by subject has distinct advantages. By that means each group of people would be concerned with all aspects

of work relative to one or more subjects—which in this case means stocks. Organised in this way, the problem of optimum size becomes easier to solve, for it is possible approximately to regulate the size of each group by the number of stocks (and therefore the number of accounts) to be operated. If the word "office" is substituted for the word "group", then in general the method of organising the Accountant's Department is apparent.

The work is in effect undertaken by offices each concerned with the transfer work affecting one or more stocks. Thus there is a Consols Office concerned with holdings of  $2\frac{1}{2}$  per cent. and 4 per cent. Consolidated Stock, a Conversion Stocks Office, a  $3\frac{1}{2}$  per cent. War Stock Office, a Colonial and Corporation Stocks Office, etc., etc., where the major work processes are carried out under one management. At present there are six such offices in the Department. The case for organising in this way will be clearer if it is realised that any one of these subject offices could, if necessary, be divided into two or more offices by the simple expedient of taking away a given number of account pages to form another office or offices. In the same way, a permanent diminution in the number of accounts relating to any specific stock—and therefore in the number of stock-transfer operations—could lead to the amalgamation of two or more subject offices.

As with the Cashier's Department, there are also exceptions to this general method of organisation. Such work as registration of deaths, examination of powers of attorney and the issuing of dividend warrants is centralised, organisation therefore being on a process basis. In the case of the last-named process—the issuing of dividend warrants—the work is highly mechanised: the concentration of many machines in one pool is no doubt the most economic way of producing the millions of interest warrants which the department has to issue each year. This dividend preparation work presents a special problem, for it has to deal with heavy peaks of activity. During some months in the year dividends payable are relatively few, in other months the number is very heavy. This fact is a cogent reason for centralisation, as by careful planning of the work affecting each dividend date it is

possible to anticipate some of the peak loads of dividend production work.

The third department shown on the chart is the Secretary's Department. It is a smaller Department, concerned with secretarial duties to the Governors, the Court and the Committees—the Department also keeps the Bank's General Ledger and prepares and presents the Bank's Balance Sheet to the Court. Two other activities centred with the Department relate to statistical and costing work. The department is therefore organised by services—namely, a general office dealing with secretarial duties, a Statistical Office, an Accounts and Costing Office, and an office responsible for dealing with cancelled notes of all denominations.

The next department, which is situated outside Head Office, is the Printing Department. It has two main activities. First, the printing of bank notes, also bonds, dividend warrants, register certificates, etc., required in connection with the management of Government and other stock issues. Secondly, the Department satisfies the demands for stationery from all offices and Branches of the Bank. There is little to be added from the organisation angle to that brief description of the work, except to say that the Department is organised by functions—that is to say, there is an office concerned with procuring and storing the material of printing, the paper; one dealing with the technical printing processes, including stores, and an office which is responsible for the accountancy side of the Printing Works.

Finally, there is the fifth department—the Establishment Department. The main responsibilities of this department consist of initiating staff policy and seeing that such policy is carried out, of dealing with all questions of conditions of service—for example, salary and wages scales, leave, sickness, pensions, etc.—and of seeing to the provision of medical and welfare services, the equipment of the Bank and the maintenance of Bank premises, both London and Branches. These duties are performed for the whole staff, including non-clerical people, such as engineers and electricians engaged on maintenance and upkeep of premises and office messengers and cleaners in both permanent and temporary categories. The total staff for which the department is responsible is upwards of 8,000.

There are some aspects of the organisation of this Department to which particular attention is drawn in order to illustrate more of the points raised in earlier chapters.

The general organisation adopted is by subject offices, of which there are three—the Staff Office, sub-divided into Staff Management and Training, Staff Payments and Premises; a Welfare Office and a Central Mechanisation Office. It will be remembered that reference was made in the opening paper to the advantages to be gained from centralising particular responsibilities or activities which are common to a complete organisation, such as personnel management. This need underlies the organisation of this Department, for the responsibilities undertaken relate to the whole staff of the Bank, past and present—from the time an unknown individual applies for a position (whether permanent or temporary) in the Bank until resignation from the service or, if a member of the permanent staff, until his or her death in retirement. Even then, maybe, the Department may have certain responsibilities towards the employee's widow and family—in the shape of the payment of widows' and children's annuities or allowances.

Staff Management includes such work as the recruitment of staff, the keeping of staff records, dealing with dismissals, retirements and resignations and, of course, the many personal problems, domestic, financial or otherwise; it also covers the co-ordination and classification of reports, the submission to the Staff Committee of recommendations for promotion made by the various Heads of Department and the resultant adjustment of salaries and wages. Later reference will be made to co-ordination between Departments, but it may be mentioned, in passing, that in so far as promotions are concerned, the Establishment Department's work somewhat naturally diminishes as the staff become more senior and consequently more firmly attached to a particular Department.

Turning to staff training work, whilst it has been found that the technical training of new recruits into the service is best undertaken within the Departments or Offices to which they are allocated, there is much to be said for the central direction of all training. The Establishment Department is concerned with the

production of training itineraries for all trainees. The word training here embraces initial interviews and a short course of explanatory and informatory lectures, followed by subsequent interviews to ascertain progress, examination of reports, classifying trainees and the movement of people in and between departments of the Bank. The ultimate object is to employ the staff to the best advantage both to themselves and to the Bank. This objective of fitting round pegs into round holes is, of course, common to all large institutions; and the reason for giving the subject more than perhaps passing mention is to make it clear to what extent the function of staff training is undertaken in the Department. Qualification on the technical side of the work is left to the offices concerned, but the length of time trainees are left in an office depends on the training schedule compiled by the Establishment Department.

The work of the Payments Section includes such services as the payment of all salaries, wages and pensions, the keeping of staff savings accounts, and the management of the Bank's Superannuation or Widows' Funds. This office also records and collects by deduction from salaries, etc., the appropriate tax under P.A.Y.E., insurance premiums or the like, and also various subscriptions to internal clubs and societies, etc. A statement of such deductions is given monthly to each member of the staff. An example of the advantages to be gained by centralisation of these activities concerns National Savings. Much time and labour have been saved, and savings encouraged, by collecting subscriptions by deduction from salaries at source. Previously savings, and indeed some of the other forms of staff contributions referred to, were collected on an office basis, with the resultant work of reconciling the cash receipts and the employment of office collectors.

It is worth remarking, perhaps, that the Income Tax work (which is a part of the Payments Section) goes beyond the requirements laid on every employer to make deductions from his employees according to instructions issued by the Inland Revenue. The department acts in an advisory capacity for the benefit of the staff, and undertakes correspondence with the Revenue on their tax affairs. The result has been satisfactory to the staff, who have

been saved time and trouble and in most cases have seen a matter settled considerably more quickly than would otherwise have been the case. It should, however, be pointed out that correspondence between the Bank and the Revenue concerning an employee's taxation (which, after all, is his private affair) is only initiated by the Bank at the employee's request.

There is no need to say much about the Welfare Office; its name is self-explanatory. In brief, it embraces the social and recreational side of staff management. Societies, clubs, staff publications, sports facilities and contacts with the secretaries of Bank staff organisations and, where necessary, outside organisations, are among its main interests.

The Central Mechanisation Office affords an example of the maxim of placing a particular function centrally where effectiveness and economy lie in specialisation at one point. Of recent years considerable developments in the use of machines as clerical aids have taken place within the Bank, and the work of research and training has accordingly been centralised in one office. These specialist functions might have been positioned in the most highly mechanised department, but because the training of operators for mechanised work in all offices involved selecting suitable human material, the Establishment Department was considered to have the advantage as the best central point. The office is therefore concerned with the initial work of training people on mechanical clerical aids—tabulators, punched cards, adding machines and calculating machines. Other interests arise from the co-ordination of mechanisation problems throughout the Bank, the study of developments in the use of machines and liaison between the machine companies and the mechanised offices of the Bank. Whenever it is thought that machines might be introduced or their use extended, the Mechanisation Office comes into the picture, both from the technical angle of the best type of machine to be used and as regards staff training. It was visualised that by keeping a pool of machines in this office, primarily for training purposes, it would be possible to provide an additional service in the mechanised processing of work of certain offices which was not of sufficient volume to justify the introduction of separate mechanical units. This idea has

materialised, and it is hoped in future to augment and utilise the central pool of machines for this purpose. There are, of course, limits to this arrangement, particularly from the staffing angle: if such work were undertaken to any great extent, an augmented mechanical staff would become necessary, which might well offset any advantages gained from using pooled units.

The two further activities of the Bank are those undertaken by the Auditor and the Inspector. These two officials might be termed "watchdogs" who, by design, do not form part of the main departments of the Bank: they are extra-departmental. Both act on specific terms of reference from the Governors, to whom they report and to whom they are responsible. The Auditor carries out checks on the assets and liabilities of the Bank and, indeed, on all work and functions susceptible to audit: he is concerned with the accuracy of accounting records within the Bank and the proper working of the systems of internal control within Offices or between Offices and Departments. His visits to Offices and Branches are invariably of a surprise nature. The Inspector is concerned with the same offices, but from the angle of methods and work organisation, during which the possibilities of economies in work processing and staffing are not overlooked. These functions are, broadly speaking, common to other Banks where the two interests are often amalgamated. In the Bank a difference is made between, on the one hand, purely auditing duties and, on the other, inspecting work, which has much in common with the activities of the Organisation and Methods Division of the Treasury. Each official has a small staff to assist him, drawn from the Departments of the Bank, to which they eventually return. It may be mentioned that these people gain considerably in experience and training by reason of the auditing and inspecting work undertaken in all Departments of the Bank.

This gives the broad outline of the Bank's organisation. There is, however, a further matter which should be mentioned to complete the picture. It has already been pointed out that the work of Departments is organised into Offices—some by processes, some by subjects and some on the basis of common services. Each Office has a senior official in charge, termed an

Office Principal, whose main concern is the supervision of and responsibility for the work of his own Office. He is given a large measure of independence and has direct contact with his Head of Department. Each Office Principal has the assistance of one or more Deputy Principals and, maybe, one or more Assistant Principals, dependent on the size of the Office and the volume and complexity of the work undertaken. Thus an Office concerned with a steady flow of semi-routine work would have a Principal in charge and a Deputy; one dealing with a large amount of non-routine work or a large staff handling heavy fluctuations in the volume of day-to-day work may require three or four Principals for adequate control. As far as the organisation of work within Offices is concerned, in general it is dealt with by Sections, each with a Section Leader. This arrangement has been found to be very flexible: it allows for expansion to meet a new activity affecting the Office or, if needs be, the work of two or more Sections can be telescoped with the minimum of disturbance. The operation of a new Exchange Control Regulation involving heavy additional work, for instance, would be met in the first place by the formation of a new Section in one of the Control Offices pending development or some clearer view of the volume of work or number of staff likely to be permanently affected.

An important aspect of all that has been said is the co-ordination of interest, which is always a point of particular moment in any organisation if not considered purely in terms of co-ordinating committees. It has been suggested that a measure of effective co-ordination can be achieved by arranging accommodation for senior executives in adjoining rooms, or in the same office, and that such an arrangement, superimposed upon weekly meetings and the circulation of papers, has definite advantages. The provision of a senior officials' luncheon room was also advanced as an effective means of integrating activities as an adjunct to more formal co-ordinating machinery. The first advantage mentioned of the provision of adjoining accommodation for senior people is one of much concern: two references to this matter were made earlier in referring to the functions of Executive Directors and Advisers. This point is also borne in

mind in accommodating Office Principals, and there is much to be said for two or more such officials being housed in the same room, to ensure continuity of procedure and the diffusing of information affecting all. The second point of informal co-ordination by means of daily contacts through the medium of a luncheon room is also seen in operation in the Bank, down to and including the Departmental level in the hierarchy. It will be appreciated that as the Departments of the Bank are organised by function, there is little necessity for special co-ordinating machinery from the technical work angle. On the other hand, as the staff administration of the Bank is centralised in one department, it is essential that machinery for close collaboration in all staff matters should be effective. This is mainly provided for by regular meetings of a Heads of Departments' Committee, coupled with the activities in each Department of an official (known as a Departmental Establishment Officer) who co-ordinates all staff data relating to his department for discussion at the Heads of Departments' Committee.

One point which does not appear to have been referred to in the survey of organisational problems undertaken in this book concerns the time factor. In many of the operational offices of a Bank time is most important. Whether the office is concerned with cheques, securities, bills or the issue of notes and coin, action is generally required in a relatively short time, especially where the London Clearing House is concerned. This point has mainly been met by attaining a high degree of cross-qualification of staff, so as to be able to "switch" people between Offices or from one section to another in the same Office to meet a particularly heavy volume of work. This arrangement is specially noticeable in the Drawing Office—where customers' accounts are kept—the Bill Office, the Transfer Offices of the Accountant's Department and the form-handling offices of the Exchange Control group of offices.

The next and last point is to summarise the principal lines of communication and command in the organisational chart (Fig. 6). Easy access for referring matters above the level of Office Section Leaders is provided by the appointment of an adequate number of administrative people—the Office Principals. These officials

are able to refer to a Head of Department quickly, and the structure allows for rapid reference and consultation above that level.

This paper has now dealt broadly and, confessedly, very briefly with the organisation of the Bank of England, and has tried to show that it is realistic and progressive. From a modest beginning in 1694 the Bank has grown in size, responsibility and influence to its present position in domestic and international affairs. With the passing of the centuries, conditions have changed and new responsibilities have been assumed, and these important factors have had to be incorporated in an expanding organisation. One of the main attributes of a sound organisation is that it should be flexible and able to adjust itself easily to new loads of work or to discard the outworn with the minimum of disturbance. In these matters the organisation of the Bank of England has proved itself: it has continued to move with the times.

## THE LONDON COUNTY COUNCIL

by T. J. JONES, O.B.E.  
(*Director of Establishments*)

THE London County Council is the only Local Government organisation to be described in this series of papers. It therefore has one unique feature—that each of the ten distinct services or groups of services provided is controlled by a fairly large committee; the members of these committees are unpaid and are elected periodically by the people of London on a political basis. In size—computed by reference to the number of people it employs (59,000)—the organisation is smaller than that of those Government departments also described in these papers, but it is more extensive in the variety of its operations. It is in miniature a Parliament and a Civil Service, with Committees in the place of Ministers. This analogy may not be carried too far, but it serves to illustrate the problem involved in trying to describe so much in so short a space. The ten distinct services to which reference has been made are: Education, Health, Housing, Parks, Fire Brigade, Public Control, Catering, Welfare, Town Planning and the care of “deprived” children.

### *The L.C.C. Area*

There are many “Londons”, and all the boundaries differ. The square mile of the City is the centre of London. The City and the twenty-eight Metropolitan Boroughs make up the 117 square miles of the Administrative County of London—that is, the area administered by the London County Council. This area is surrounded by the built-up areas of the counties of Middlesex, Hertfordshire, Essex, Kent and Surrey, and the County Boroughs of East Ham, West Ham and Croydon. The Metropolitan Police District is about 700 square miles in extent and is generally regarded as the Greater London area. It was the London Civil Defence Region during the war. The Metropolitan Water Board area is a little smaller—about 600 square

miles; the London Postal area is about 230 square miles. The Port of London runs from Teddington to a line between Kent and Essex in the Estuary. The London Main Drainage area is about 180 square miles, all served by the L.C.C. by arrangement with the other local authorities in that area. There are also other boundaries observed by London Transport and other undertakings.

### *Differences*

At this stage some emphasis should perhaps be laid upon the broad distinctions between local authorities on the one hand and Government departments and private enterprise on the other, differences which will later be reflected in the organisation described. The features of local government are briefly :—

(a) The duties are prescribed generally by statute. Often the form in which the duties shall be carried out is prescribed, and also the agent, the officers who shall do them.

(b) The diverse nature of the duties, and consequently the varied types and grades of staff. The London County Council staff of 59,000 includes about 1,200 different administrative, professional, technical, clerical and operative grades located at about 3,000 establishments.

(c) The democratic control—already touched upon.

(d) The limitation in the powers of officers in matters of policy.

(e) The fact that expenditure and policy—indeed, day-to-day management—are continuously subject to public comment. In this respect, of course, Local Government departments are similar to Government departments.

(f) Capital expenditure has to be financed and the necessary funds borrowed and repaid during stated periods, generally not exceeding sixty years, the consequent debt charges being met out of maintenance expenditure each year.

### *Organisation*

Before describing the organisation, some preliminary historical sketch may be desirable to explain the respective positions of elected representatives and of the Council's officers.

The area administered by the London County Council is practically the same as that fixed in 1855 for its predecessor, the Metropolitan Board of Works. The London County Council itself was created in 1888. The Metropolitan Boroughs—constituted in 1899—together with the ancient City of London, represent a second tier of local authorities in the same area. They are separate authorities, with their own particular duties, and are only subject to the control of the County Council in a limited field.

The story of the Council's organisation is one of slow-growing devolution. The first Council was fired with a reforming zeal. In writing the epitaph of the Board of Works, *Punch* said it had "suddenly showed the world how jobbery could be elevated to the levels of the fine arts". In this mood the original Council began with a strong disinclination to delegate work to committees and a profound distrust of officials. For the first few years they appointed a paid Deputy Chairman, who acted as the full-time staff controller, but this practice ended in 1896. An indication of the way things have developed since those days is to be found in the list of duties of the Clerk of the Council. Originally it contained only two items. It now exceeds fifty. The work of the Council was extended considerably in 1904, when it took over the duties of the London School Board; growth in various other directions has necessitated substantial further delegation to committees. The full Council now reserves principles to itself, but delegates largely to committees, although it still retains in its own power those decisions on the appointment and remuneration of staff which in other organisations would normally be a function of the executive.

Administrative standards throughout committees and departments are secured by a series of standing orders, regulations and committee rules drafted by the Clerk of the Council and based on decisions of the Council or committees.

In Fig. 7 the Council is represented by its coat of arms. It comprises at present 124 members—two elected by each of sixty constituencies and four by one constituency (City of London)—and twenty Aldermen—a total of 144. As a result of the April 1949 election there are now three members for each of forty-

DIAGRAM SHOWING OUTLINE STRUCTURE  
JANUARY 1949

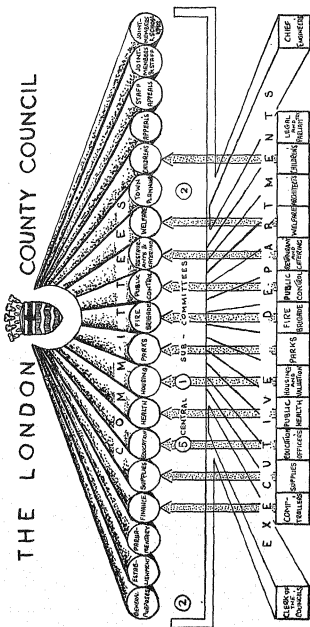


FIG. 7.

three constituencies and twenty-one Aldermen, making a total of 150. The Chairman of the Council, although nominated from the majority party, is in effect and by tradition a non-political figure during his year of office. He presides over meetings of the full Council and is the Council's ceremonial representative. During recess periods, however, he has power to decide urgent proposals submitted by Committee chairmen, subject to later report to the Council.

General political direction is held by the Leader of the Council, who has been described as London's "Prime Minister", and there is also a political Leader of the Opposition.

The hand of statute is clearly to be seen in any statement of the Council's functions. No delegation is permitted of the levying of a rate, the borrowing of money, the approval of certain estimates of expenditure or the ordering of payments out of the County fund. The matters of principle reserved for decision by the Council include all questions having a continuous application, new work and methods of doing it, action opposed to a specific resolution of another authority and so on. The Council itself also fixes the staff numbers for all departments and appoints many staff above a specific salary range. The Council meets fortnightly, and considers these matters of principle arising from the reports of committees which have met on various days in the preceding fortnight. The matters will have been discussed in committee and put forward to the Council with recommendations for decision. Officers do not speak at Council meetings, but the chief officers are available for private consultation by Chairman and members.

### *Committees*

The diagram (Fig. 7) illustrates a line of committees, each of which has well-defined orders of reference and each standing committee has full power within those terms to act for the Council, subject always to the reserved items already mentioned. The Chairman or Vice-Chairman, both of whom belong to the majority party, may act for the committee when the subject is specially urgent or when it is of minor importance. The chairman of a committee (since he is answerable in Council for the committee's

reports) is not, like the Chairman of the Council, a neutral figure. The committees are appointed annually, and in some cases include co-opted members as well as the elected members of the Council. Apart from the co-opted element a committee comprises members of all political parties, roughly in proportion to their numerical strength on the Council. Officers attend in an advisory capacity. Their written reports constitute the bulk of the business before committees, and they are required to speak as necessary in explanation of the reports and in answer to questions by members.

Of the nineteen committees, the first fifteen are standing committees dealing with the various services. The Appeal Committee and the Staff (Appeals) Committee are special committees. The last two are joint committees of members and staff—run on Whitley lines.

The *General Purposes Committee* includes one member elected by each of the other standing committees, and he is normally the chairman, plus a number of other members appointed by the Council. It is responsible, as its name implies, for the more important general questions, including the assignment of duties to committees and heads of departments, and this is regarded as particularly important when new work is involved. It arbitrates in any conflict of view between committees, and is concerned with any interrelation of activity with other local authorities and with Government departments. Two sub-committees are at present in being: one, the *Staff and General Sub-Committee*, deals with heads of departments and senior staff appointments throughout the service; the other has recently been set up to deal with the re-development of the *South Bank*.

The *Establishment Committee*.—There is a large measure of concentration of the direction of staff in the Establishment Committee, but this centralisation is by no means complete. The Establishment Committee is concerned with the scale of pay and conditions of service of practically all the staff except teachers, but the ten service committees consider the numbers and grading of large groups of specialist and operative staff outside the general administrative, professional and technical groups.

[*Note*.—Both Establishment and Service Committees must

recommend Council to authorise. They cannot fix scales or numbers themselves.]

*Parliamentary.*—After the Council has approved the course to be followed on the report of the particular committee or committees concerned, the Parliamentary Committee deals with the mechanics of legislation from whatever source it arises.

The *Finance Committee* has the responsibility for all financial matters, including the Council's annual budget of about £50 million. The chairman is popularly known as London's Chancellor of the Exchequer. The power to spend money is limited and delegated to committees and chief officers under carefully prescribed rules. The heavy ring in the diagram indicates that Finance is one of those Committees which the Council is required by statute to appoint. There are six others, which by statute are similarly required to be set up, and these will be mentioned later on.

The *Comptroller* sees that money is provided to meet the expenditure of all the departments and that all income and expenditure are duly accounted for. He audits the accounts of all departments and is the Council's general financial adviser. Control over expenditure is exercised mainly by annual estimates prepared for the various committees, co-ordinated by the Comptroller, scrutinised by the Finance Committee and submitted by the latter to the Council. When the estimates are approved by the Council they become votes of expenditure, and form the authority under which the executive committees may incur expenditure. Even then no liability exceeding £1,000 may be incurred without the special concurrence of the Finance Committee. It should perhaps be mentioned that the London County Council is not a rate-collecting authority. It precepts on the City Corporation and the Borough Councils, who collect the County rate with the Borough rate and pass the County rate over to the County Treasurer—that is, the Westminster Bank. The product of the penny rate is now about £225,000.

The *Supplies Committee* and the *Chief Officer of Supplies* have the responsibility for central purchasing and supplies for all services of the Council. There are a few special exceptions to this ruling, such as the purchase of fire appliances, which is the

duty of the Fire Brigade Committee and the Chief Officer of the Fire Brigade.

*Education* is one of the statutory committees and covers a vast field. It has five sub-committees—the first a General Purposes sub-committee, a second deals with Further Education, a third with Primary and Secondary Education, a fourth with Special Education and the last is a Staff sub-committee. Some of these are further sub-divided into smaller committee sections for particular purposes. Each of the secondary schools has its own Governing Body, and each primary school a Managing Body with certain delegated functions.

The *Education Officer's Department* is large, and its various branches deal with the several aspects of education and kindred activities. As much of the local work as practicable is delegated to nine divisional offices, which serve all branches and are in direct contact with the various types of schools in their divisions. The Education divisions are gradually being accepted as the pattern for other departments to adopt where local delegation is desirable.

The *Health Committee* controls the various health services. It has nine divisional health committees (which include Borough Councillors) to match the nine executive areas in which the work is now grouped, but it has no central sub-committees.

*Public Health Department.*—Until recently the department under the Medical Officer of Health administered the London hospitals, which have now been transferred to Regional Hospital Boards. In addition to general health services which have been retained, it has taken over the personal health services from the Metropolitan Boroughs under the Health Service Act. The London Ambulance Service is part of the department. The department is now organised in three main groups—one dealing with maternity and child health; another with general health matters and with special matters, such as the medical examination of the Council's staff, the maintenance of a chemical laboratory for the service of various departments and an inspectorate; and an administrative branch which covers the whole department. Nine divisional offices carry out as much of the local work as is possible.

The *Housing Committee* controls a very large housing programme, both within the County area and in Counties around London. It has one sub-committee—dealing with *Housing Management*. The Housing Committee, as a matter of committee convenience, also takes *Main Drainage*, which is a really large-scale service additional to the ten mentioned earlier. Before the war there was a Fire Brigade and Main Drainage Committee—the Fire Brigade service has not yet recovered fully from this association with the “silent” service, and almost made it a condition precedent to a return to the Council from war service with the National Fire Service that there should be no re-marriage with Drains!

*Housing and Valuation Department*.—This department has two distinct functions. At present it administers all aspects of the Council's housing work, which includes the housing architectural staff seconded from the Architect's Department. Under “Valuation”, the second heading in its title, the department finds and acquires land and property for the various services of the Council; handles land problems as they arise in connection with Town Planning and various kindred matters; and manages the Council's general properties.

The function of the *Parks Committee* is perhaps obvious.

The *Parks Department* administers the parks and open spaces, organises the various entertainments held there and has its own technical staff for construction and maintenance works. The footnotes on pages 131 and 132 will give an idea of the extent of its operations.

The *Fire Brigade Committee* directs the London Fire Brigade. In the diagram it is shown in a heavy ring, although in fact the Act has excepted London from the statutory need for maintaining a separate Fire Brigade Committee.

The *Chief Officer of the Fire Brigade* maintains the fire-fighting organisation and has a Fire-Prevention Branch for general fire advice. This branch provides officers who during performances inspect theatres, cinemas and other places of public entertainment from time to time to safeguard against fire and panic risks. The protection of the public against risks in places of entertainment is shared by at least three departments, including the Public Control

Department and the Architect's Department, which deals with all the structural precautions required in new and existing buildings.

*Public Control* is the title given to a group of functions which could more aptly be described as "public safeguards". They are detailed in the footnote on page 132.

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## NOTE

### *Administrative County*

*Area.* 117 sq. miles (*Note*: Greater London, *i.e.*, Metropolitan and City police districts—693 sq. miles).

*Population.* 4,397,003 (1931 census); 3,385,240 estimated March, 1948.

*Rateable value.* £54,418,059 (1947).

*County rate.* 9s. 3d. (1948-49).

### *Departments of the Council (15)*

(Approximate staff numbers, all categories, shown in brackets—part-time staff equated to full-time.)

*Clerk of the Council's* (730). Administration and co-ordination; clerking of Council and Committees; general services, typewriting, messengers, etc.

*Comptroller's* (460). General finance work; payment of salaried staff; superannuation scheme.

*Supplies* (1,550). Supply service for all departments; six main depots; annual turnover about £8,000,000.

*Education* (25,100). County divided into nine divisions for administration; schools, 1,376; other establishments, 211.

*Public Health* (6,100). Nine divisional areas, as for Education; maternity and child welfare centres, 142; school treatment centres, 72; ambulance stations, 22; other services include tuberculosis prevention and after-care, mental health, infectious disease control, health education.

*Housing and Valuation* (7,700). Permanent housing up to March 31, 1948, 102,060 dwellings, £4,217,000 rent and rates in 1948; temporary housing, 7,631 dwellings, £302,500 rent and rates; war damage reinstatement, 88,125 dwellings rebuilt or made fit for occupation; department is also responsible for the acquisition of property for all departments.

*Parks* (1,890). 107 parks, 6,718 acres; grants made to six Home

The *Chief Officer of the Public Control Department* deals with the enforcement of a number of Acts of Parliament relating to such matters as petroleum, celluloid, poisons, performing animals, smoke nuisances, shops, massage establishments and others. The department issues motor-vehicle licences and driving licences.

The *Restaurants and Catering Committee and Department* operate the Council's youngest service, which has grown up from the emergency Meals Service arrangements during the war. They run a large number of civic restaurants for the general public and school dining-centres. They also operate the County Hall restaurants for members and staff. Plans are being developed for a substantial expansion in the scope of this service.

The *Welfare Committee* is another committee which the

County authorities to assist in acquisition of 23,550 acres of land for Green Belt; further 50,000 acres provisionally approved.

*Fire Brigade* (2,520). Four-divisional organisation plus river service; 61 stations; 233 appliances; 57 miles of hose.

*Public Control* (300). Responsible for services to safeguard the public, including licensing of places of public entertainment; storage of petroleum; employment agencies; inspection of weights and measures.

*Restaurants and Catering* (5,830). Nine-divisional organisation, as for Education; self-supporting service; restaurants, school dining-centres, kitchens, etc., 854; annual turnover, £3,000,000.

*Welfare* (2,780). Six-district organisation; residential homes, hostels for the blind, nurseries, rest centres, etc., 64.

*Architect's* (1,640). Architectural work for all departments; town planning, building regulation and street naming.

*Children's*. New department being formed; staff figures are included in those for other departments.

*Legal and Parliamentary* (140). Legal and parliamentary work for all departments.

*Chief Engineer's* (2,160). Engineering work for all departments; main drainage, serves County of London and 62 sq. miles of out-county areas; sewage treated 1947-48, 91,000 million gallons; Council also responsible for Thames floods defences within the County; highways, large street improvements works; also 10 Thames bridges, four Thames tunnels and Woolwich free ferry.

*Approximate total staff, all categories, 59,100.*

Council is required by statute to appoint. It is responsible for the care of old and infirm people. There are a number of local committees dealing with the conduct of individual institutions.

The *Welfare Department* provides a place to live for aged, infirm and other persons in need of care and attention and rest centres for persons who are in urgent need of temporary accommodation. All blind and other persons suffering disability or physical handicap in London are eligible for the benefits of the Council's welfare services; these include training and employment, as well as accommodation.

*Town Planning* is a field in which there have been striking developments in recent years, and all planning authorities, the Counties and County Boroughs, are now under orders to produce a development plan of their areas within the next three years. The Town Planning Committee looks after building regulation—that is, the actual construction of buildings as distinct from the use of land on which they are built. London has its own special Building Acts. This Committee has two sub-committees—one the *London Building Acts (Appeals) Sub-Committee* and the other the *London Building Acts By-laws Sub-Committee*, which with the officers concerned is at present engaged on revising the Council's by-laws made under the London Building Acts.

The *Children's Committee* has quite recently been set up to implement the new Children's Act, which was passed as a sequel to the Curtis Committee Report. The Council has for many years cared for deprived children by means of three committees—Education, Health and Welfare—administering separate parts of the work. The Committee functions and the departmental functions are now being brought together under the Children's Committee and Children's Officer, and the service is to be extended as provided in the Act.

The new *Children's Department* so constituted will have charge of about 10,000 children, deprived, delinquent and otherwise in need of care and attention.

That is a brief description of the functions of the standing committees. The *Appeal Committee* is one of the special committees of leading members of the Council which has been set up under a London Public Health Act to hear and decide appeals to

the Council under that Act. It is also available to hear and decide all appeals made to the Council under any other Act of Parliament except the London Building Acts, for which there is a separate Tribunal.

The *Staff Appeals* committee hears appeals against the discipline decisions of the service committees, with the exception of teachers and firemen, for each of whom special appeal machinery is provided.

The two joint committees negotiate upon wages and conditions of service; their agreements are implemented by the Council normally on the report of the Establishment Committee.

### *Officers*

The function of the officers is to advise the elected representatives; to take their directions on policy matters; and to carry out their decisions. The officers have relatively few delegated powers, although, of course, they are responsible for the day-to-day management of their departments within the framework of policy laid down.

The general principle governing relations between committees and officers is that the advice of all chief officers—that is, the heads of the fifteen departments—is available to all committees. In practice a number of chief officers report regularly to a particular committee. Town Planning is a good example. Although the Architect is the Council's Town Planning Officer, other departments are concerned with the same subject and report to the Town Planning Committee, often in a joint report with the Architect. They are principally the Chief Engineer's, Housing and Valuation and Parks Departments.

It is obviously impracticable to show in a diagram this complex pattern of responsibility. Eleven of the fifteen departments shown in the diagram (Fig. 7) with a direct line to a committee are principally concerned with that committee, but two of the eleven—i.e., Supplies and Finance—are servicing departments for the whole organisation, as are the other four. The departments linked with their own committee have already been described, and it remains to explain the others. Space does not permit the presentation or description of the organisation chart

for each department. Their work is varied, and the internal arrangement of branches and divisions shows a wide variety, but there is a general pattern running through them.

*Department of the Clerk of the Council.*—Apart from the general local government functions imposed on him by statute, the Clerk of the Council is defined in the Council's standing orders as "the chief administrative official of the Council". He is responsible for the proper conduct of the whole of the Council's general business and is the clerk of each committee of the Council; in this capacity he prepares the reports of all committees to the Council and transmits committee directions to officers. He is required to have under continuous observation the condition and activities of the Council's staff. He is also responsible for imparting to recognised news-distributing agencies information about the work of the Council. The Council has no "public relations officer" so designated.

The head of the *Architect's Department* has two titles and functions in two separate capacities. As "Architect to the Council" he is responsible for designing the Council's buildings and for repairs and maintenance after erection. As "Superintending Architect of Metropolitan Buildings" (a statutory title derived from the London Building Act) he is responsible for advising the Council on applications made under the London Building Acts and on the provision of the means of escape in case of fire from a large number of buildings. The Architect to the Council is also the Town-Planning Officer.

*The Legal and Parliamentary Department.*—The Council's Solicitor is the legal adviser to all departments and all committees. The range of the work is indicated by its divisions, which deal—one with Advocacy and Social Welfare; another with Conveyancing; another with Housing, Town-Planning and Building Acts. There is a Litigation Division, a Parliamentary Division and a General Law Division.

The *Chief Engineer's Department* is responsible for a large variety of engineering work, such as street improvements, main drainage, bridges and tunnels, Thames Embankment walls and the Woolwich Ferry. Thames flood prevention also is under its care. It maintains the seven miles of pipe subways along the

Embankment and other thoroughfares for the accommodation of public utility services. The department also provides and maintains electrical installations at the various buildings of the Council.

The Fire Brigade may perhaps be used to illustrate how one department is linked with the others. Its committee work and staffing proposals come within the purview of the Clerk of the Council. Payment of salaries, control of accounts and other financial matters are for the Comptroller of the Council. Supplies and stores, uniform clothing, petrol, etc., come through the Supplies Department. The Education Officer is available to arrange first-aid courses and examinations, and special educational examinations for promotion. Doctors in the Public Health Department examine candidates for physical fitness before appointment as firemen, and also men who are injured or sick. The Council's Chemist-in-Chief in the Public Health Department is available to carry out tests and analyses in connection with fires and materials. The Valuation Department will find sites for new and enlarged stations; it also deals with the rates and charges on existing stations. The Parks Department can provide a site in one of its larger parks for a public review or display. The Public Control Department administers the Petroleum and Celluloid Acts in consultation with the Fire Brigade and has joint responsibilities in the control of places of public entertainment. The Restaurants and Catering Department advises on the running of fire-brigade messes and canteens. There is even a point of contact with the Welfare Department, in that the Fire Brigade advises on the fire-protection arrangements at the institutions, a service which it also provides for the buildings of the other departments. It has many contacts with the Architect's Department, including the giving of advice on fire prevention at places licensed for public entertainments which has already been mentioned. It is associated with the Architect in the fire precautions for large buildings dealt with under the London Building Acts. The Architect's Department on its constructional side is responsible for the general maintenance of fire stations. The Fire Brigade will also advise the new Children's Department on fire precautions. The Legal Department does a good deal of work

for the Fire Brigade, including the handling of accident cases in which fire appliances are involved, prosecutions for malicious false alarms, enquiries arising out of fires, execution of contracts for fire appliances and so on. The Chief Engineer's Department is responsible for the maintenance of electrical apparatus at fire stations and for the piers and pontoons at river stations. The interests of efficiency, economy and staff prospects would not be so well served if the Council were to provide the Fire Brigade with its own architects, doctors, supplies assistants and so on.

### *Characteristics*

In his introductory chapter Mr. Simpson listed a number of elements or characteristics which might be brought out in describing the various organisations. Some of them have been touched upon in the simple description already given, but others may emerge from a quick summary of his headings.

*Top Organisation.*—The control group is the Council itself—political and representative of outside interests only—not executive in its responsibility. There is a sharp division between policy-making and execution. Chief executives (in the plural) are advisers to the policy-makers. Policy includes not only “what shall be done”, but frequently “the way it shall be done”, which is more usually a function of management. In the Council's service there is no one “chief executive”. Responsibility for execution rests with the fifteen individual chief officers, but of these, one—the Clerk of the Council—is the chief administrative officer with broad co-ordinating functions, particularly in staffing matters. By clerking all committees and seeing important correspondence in and out, as well as by staff control, he assists the smooth working of the executive.

*Decentralisation.*—It is clearly impossible to have a comprehensive decentralisation policy when the activities of the whole organisation are so diverse. As a broad generality, all “case” work is carried down as close as possible to the field of action. All major policy decisions necessarily remain centralised because of the political control. Where necessary there are divisional officers responsible for the day-to-day execution of the work of departments under their central direction. In some cases

decentralisation is statutory, as, for example, in the case of the Health Divisional Committees. London is a compact area, and there is not necessarily the geographical need for decentralisation which applies in a national organisation, and in some cases decentralisation tends to require a larger number of staff to operate than a centralised service, which can be equally efficient. In Town-Planning and Building Regulation the central work is divided into geographical areas, but it is not practicable to set up local offices because a very large proportion of the professional practitioners with whom the department has to deal have their offices in central London. For the local supervision of the actual building work the Council's district surveyors work from offices in the Metropolitan Borough areas.

*Delegation of Responsibility.*—In describing the committee and departmental layout the general pattern of delegation has been indicated. Each chief officer is responsible for the management and discipline of his department, but without reference to a committee he may in general spend only £500 on any one job; this is apart from requisitions on the Supplies Department for general stores for his current requirements; all appointments to permanent staff are made by committee. Within the departments the maximum degree of delegation is encouraged, and there are rough guiding principles as to the type of work to be performed by particular grades of staff, but this is not applied in any rigid fashion.

*Division of Activities.*—The basis on which activities have been divided is, in the case of committees, by power or purpose; in departments by profession or function. In theory, this vertical organisation for the committees and the horizontal organisation for departments provides a cross-check. There are a number of departures from the functional organisation within the departments wherever efficiency and economy appear to be served by this departure. For example, although the aim is to put all engineering work under the Chief Engineer, the Fire Brigade workshops and the general motor-repair works are engineering establishments which, in the interests of operational efficiency, are in the Fire Brigade and Supplies Department, respectively. In the Architect's Department there is a group of

structural engineers whose work in checking schemes submitted for statutory approval is distinct from the constructional work in the Engineer's Department.

*Co-ordination* affords an inevitable problem in any organisation. Either of the definitions used by Mr. Simpson—"concerted human endeavour" or "harmonious interrelation"—implies this. There are additional problems of co-ordination for the London County Council with neighbouring counties and London's second-tier authorities, for example. There is the need for co-ordination with the Government departments, particularly where grant is involved. In fact, a strong feeling exists that this co-ordination results in a control by Government departments which is carried too far, and there is an urge at present to reduce this control.

Various methods are employed to achieve co-ordination in the Council's organisation. First on *policy* through—

(a) Party meetings under the general direction of the Leader of the Council.

(b) The General Purposes Committee, which adjusts any differences between other committees.

(c) The Finance Committee, which co-ordinates the estimates and expenditure.

(d) The centralisation of policy-making in the Council itself, whose meetings are subject to public scrutiny.

(e) The Clerk, who co-ordinates advice to the various committees, secures joint reports by heads of departments concerned and submits concurrent reports himself on staffing and other matters.

(f) The common membership of local committees and the relevant central policy committee which results in an interlocking effect.

Secondly, co-ordination in *execution* is secured through—

(a) The position of the Clerk of the Council as chief administrative officer and committee clerk.

(b) The Clerk as the main channel of communication.

(c) The mutual contact between departments, organised if the need arises by some such device as a working party.

(d) One channel for the issue of instructions—for example, from the Chief Officer of the Fire Brigade to all fire stations.

(e) The regular meetings of divisional heads—as, for example, in the Health Department and Education.

(f) The circulation of the Council's printed minutes, which include periodical reports of all committees.

(g) The encouragement of contact between departments at lower levels than the top and the development of the nine-divisional organisation which should stimulate this inter-communication.

*Optimum Size.*—The statutory areas of local authorities invalidate the factor of rational optimum size for any one service. It will be realised that if there is an optimum size for, say, a fire-brigade area, it will be conditioned by the type of fire risk in the area and the mobility of the fire appliances. The optimum main drainage area, on the other hand, is likely to be the natural drainage area. Neither pay any regard to statutory boundaries fixed nearly a century ago. It makes a nice equation to add to the problem of determination of local boundaries this factor of optimum size. There is little in common between them.

*The Human Factor.*—The Council has set up a reasonably complete machine to deal with the full range of what is generally called "personnel management". Some of it is of recent construction, and it must be confessed that there is still much to do, particularly in matters of training and welfare. It has already been mentioned that the Clerk of the Council is required to have the conditions and activities of the Council's staff under continuous observation. For this purpose he now has attached to him a Director of Establishments, whose duties are to advise on all questions of the organisation, management, conditions of service and welfare of staff, to study methods of departmental and administrative organisation, including questions of welfare, in order to secure a contented and efficient staff; to consider and advise the Clerk of the Council on methods of recruitment, promotion and training of staff, to consult with heads of departments and their establishment officers, visit other departments and outlying establishments and to have access to such staff and

documents as is necessary for gathering the information he requires.

Each department has its own establishment officer, responsible to the head of the department for recruitment, conditions, discipline and welfare of the staff of the department. The departmental Establishment Officers work as a team with the central Establishments and Organisation Branch.

Joint consultation for the various groups of staff is fairly general in matters of welfare and conditions of service. About a year ago the Staff Association, which represents the Council's administrative, professional, technical and clerical staffs, made a suggestion for joint efficiency committees in the departments. The suggestion has been implemented and committees have been set up to examine specific aspects of the work with a view to improving methods. Many useful ideas have emerged. Apart from direct results, there is the psychological benefit to the staff in having machinery for testing their own suggestions for improvements.

The *Control over Results* can be looked at from two angles : from the point of view of the public and from inside departments. There is public scrutiny of the activities of the Council at Council meetings, which are open to the public. At those meetings members ask questions on any matter brought to their notice by constituents and others, and they can bring forward notices of motion on any subject of interest to the Council. Each committee has to report periodically to the Council, and the report of the action they have taken is printed in the agenda (on sale to the public). Committees, and particularly their chairmen, constitute an effective public scrutiny of the work of the various services.

The departments employ many controls over results. Town-Planning and Building Regulation decisions have to be given within periods laid down by statute. For constructional works, progress charts and periodical returns represent a degree of measurement. The Clerk of the Council, through his clerks of the various committees, operates a progress system on the various orders given by committees to the departments. In departments like Supplies and Catering, close costing and check on overheads

is a very effective check on results, and in such services as the Fire Brigade and Ambulance Service returns of calls and times of attendance serve a similar purpose.

*Review of the Organisation.*—The General Purposes Committee is generally responsible for the way in which the Council's work is conducted. From time to time specially appointed committees have examined the organisation—notably in 1913, 1921–23 and 1931–34. A committee of officers has occasionally been set up in a department to overhaul the organisation or part of it.

It is now a function of the new Establishments and Organisation Branch to keep the organisation of the service under continuous review, and the Council has attached to its Director a small Organisation and Methods section, somewhat on Civil Service lines, and has acknowledged the very valuable help and encouragement received from Mr. Simpson in launching and developing it. This young "O and M" represents an attempt at continuous overhaul which, if effective, will lessen, if not eliminate, the need for specially constituted enquiries. Clearly, such a continuous overhaul is less disturbing to the normal work of busy departments. It is hoped that the staff efficiency committees will continue to play their part in the gradual process of overhaul. The organisation of every one of the ten main services has been affected by post-war legislation, and several of the departments are still under special review in consequence of the staff and organisation adjustments which have been made. Very extensive developments are contemplated in some of the services, and the Council envisages new capital expenditure of something like £600 million, which compares with £200 million spent over the past ninety years—on much lower price levels, of course.

### *Conclusion*

If from this series of papers there emerge any accepted "principles of organisation", it is probable that the London County Council will be found to conform only partially. Political history has set it in a framework of democratic control. Statute and tradition alike demand rigid financial and staffing procedure, and place the executive officer, however high, in a subordinate

position in comparison with his counterpart in industry. The critic of local government who would take his standards of comparison from industry must first consider how far the lesser efficiency of local government—if it be a fact—is due to these external factors, and how big a price in terms of democratic control and tradition he is prepared to pay for the possibility of increased efficiency as industry understands it.

In the broad executive field little criticism can arise. The Fire Brigade is on the spot quickly, and acts effectively when it gets there; meals are well and truly served in the civic restaurants at the right time of the day; the scholar of any age obtains his education in a very wide range; the victim of an accident has timely conveyance to hospital; the sludge vessel catches the tide, with the daily and properly treated output of London's drains, and this it deposits in the deep sea. In all these operational activities local government sets a high standard. As in Government departments it is perhaps in the matter of answering correspondence, settling accounts and dealing with statutory applications that the glare of the public searchlight tends to induce caution and consequent delays. This can be irksome to the members of the public directly concerned, and may even give the whole service a bad reputation.

In the outward signs, which are so often taken as a reflection of inward efficiency, local government may well suffer by comparison with industry. The passion of local authorities to serve the public at a minimum cost has resulted, for example, in self-imposed standards of accommodation and office equipment which are often austere in the extreme. However, the conviction should be expressed that by and large—and there is much room for variety in so big a field—the local authorities of this country have achieved a very high standard of service and are working deliberately to raise it.

## IMPERIAL CHEMICAL INDUSTRIES LIMITED

by R. A. LYNEX  
(Secretary)

THE purpose of this paper is first of all to give a few essential facts about Imperial Chemical Industries Ltd. and the main features of its organisation in broad outline, beginning with the manufacturing and selling affairs of the Company.

Reference will then be made to functional responsibilities, and there will follow a description of the Board as a whole, together with certain special features of the organisation.

Such incidental views as may be expressed in order to stimulate thought or discussion are those of the author.

A copy of the chart to which reference will be made is printed on page 145.

I.C.I. is a Public Company, incorporated in England in 1926 under the Companies (Consolidation) Act 1908, with an authorised capital of £95 million and an issued capital of about £84,600,000, of which in round figures £24 million is represented by preference stock and £60,600,000 by ordinary stock.

The stock register has over 200,000 accounts. The average holding of preference stock is about £350, and of ordinary stock £270.

I.C.I. makes and sells chemicals and non-ferrous metals on a wide scale. Roughly, there are about 4,000 main products. If mixtures, grades, sizes and other variants are included, the number of products goes up to six or seven times that number.

In all, the Company employs in Great Britain about 100,000 persons, of whom 25,000 are staff and foremen, and 75,000 are workpeople representing almost every known craft and most professions.

The Company comprises about one-quarter of the total chemical industry as defined in official publications of the United Kingdom (measured by employment).

# IMPERIAL CHEMICAL INDUSTRIES LIMITED ORGANIZATION CHART

IMPERIAL CHEMICAL INDUSTRIES LIMITED

145

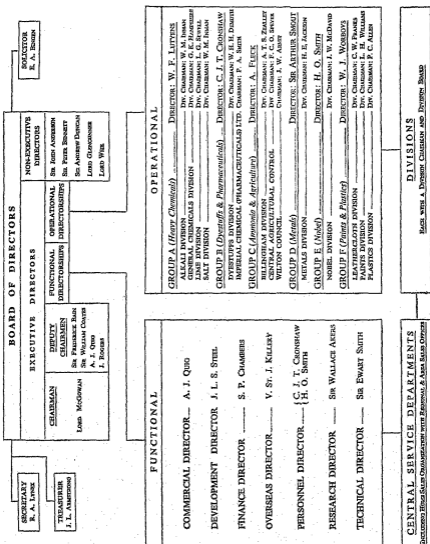


Fig. 8.

For convenience, the Company's manufacturing activities are grouped, according to the products made, by Divisions, which vary in size with the capacity of the works and the number of persons there employed. The origin of each Division was one or more subsidiary companies, which for ease of administration have been wound up during the course of I.C.I.'s development.

There are eleven manufacturing Divisions. They are :—

Alkali at Northwich, Cheshire.

Billingham (which at Billingham on the North-East Coast makes ammonia, nitric acid, "Drikold", sulphuric acid, fertilisers, synthetic alcohols, petrol, cement, plasters, and plaster board).

Dyestuffs at Manchester.

General Chemicals at Liverpool.

Leathercloth at Hyde, near Manchester.

Lime at Buxton.

Metals at Birmingham.

Nobel (which at Ardeer, South-West Scotland, makes explosives, industrial nitrocellulose and acids).

Paints at Slough.

Plastics at Welwyn Garden.

Salt at Liverpool.

Division headquarters are at those places, but there are out-lying works elsewhere.

There is also a Pharmaceuticals Division (consisting of a wholly owned subsidiary company, Imperial Chemical (Pharmaceuticals) Ltd.), which was formed to co-ordinate and develop I.C.I.'s interests in the field of drugs and medicinal chemicals. This Division does not manufacture, and its activities are limited at the present time to marketing and developing uses for pharmaceutical products made by the Dyestuffs Division.

There is a further section comparable to a Division (which also does not manufacture), called the Central Agricultural Control, the Board of which, acting in an advisory and policy-forming capacity, is responsible for the co-ordination and development of I.C.I.'s agricultural interests, with the intention

of bringing the combined resources of the Divisions to bear on agricultural problems, and not of acting itself as a trading concern.

A large new chemical project known as Wilton Works, near Middlesbrough, is in course of construction on the North-East Coast, and will make a variety of products, some under the control of existing Divisions.

For the selling of I.C.I. products at home, there is a regional organisation. England and Wales, Scotland and Northern Ireland are divided into four Home Sales Regions. Eire is treated as an overseas territory. Each Sales Region is in the charge of a Regional Manager (at London, Birmingham, Manchester or Glasgow, as the case may be), who is assisted by Regional Sales Managers and by Area Managers and Area Sales Managers located in certain larger towns within the Region.

Obviously, many economies and advantages can be gained through uniformity of practice, through operating on as large a scale as practicable (for example, in the buying of raw materials and in transport and packages), and through the application to one section of the lessons learned by experience in other sections of the organisation. Furthermore, it has been found necessary to have what has come to be called "a functional chain of command", in order to ensure that the Company's policies in various fields are properly co-ordinated and implemented. Therefore, complementary to the manufacturing Divisions and the Sales Regions, there are within the Company a number of Central Service Departments responsible for defined functions, such as commercial, development, overseas, personnel, research and technical matters. Some of these Departments (such as Purchasing and Shipping) actually undertake and manage for the whole of I.C.I. the affairs for which they have been made responsible, while others (such as Research, Sales Control, Technical and Transport) are responsible for co-ordinating and controlling the Company's policies in the particular fields in which their responsibilities lie. In this way the Company aims at securing the benefits of large-scale operation and a uniform policy.

These Central Service Departments deal with such matters as development, finance, insurance, intelligence, labour, pensions,

publicity, purchasing, research, staff, transport and so on. Later they will be mentioned again in general terms, but not in detail, for this paper is mainly concerned with the principles only of the Company's organisation.

Responsibility for the management of the Company's affairs is vested in the Board, consisting of twenty Directors, the maximum number allowed by the Company's articles of association being at present twenty-five. Later in this paper mention will be made of the make-up and membership of the Board, and the way in which they operate. At this stage, when attention is directed to broad essentials, it is only necessary to say that the Board have necessarily delegated certain of their powers to various units of organisation and personnel throughout the Company, so that they may be relieved of detailed concern with the day-to-day conduct of the Company's manufacturing activities, of the selling of its products, and of its central services.

Accordingly it has been arranged that each Division shall be managed by a local management committee, called a Division Board, with wide powers to carry on the Company's business within the Division, subject to I.C.I. Board approval in matters of high policy and major importance.

The kind of thing a Division Board may not do on its own is :—

Borrow money.

Invest funds.

Dispose of assets (otherwise than in course of normal trading).

Enter into any new venture.

Make arrangements with competitive concerns.

Bring legal proceedings.

On the other hand, when it is said that a Division Board cannot do these things, in many cases it only means that the Division must first consult an I.C.I. Director or Central Service Department before doing so. For example, if a Division wants to sell a disused factory site which is no longer needed, and all the persons who are interested have been consulted, there need be no delay. It can be done in advance of a Board resolution.

On the other hand, the powers of borrowing, mortgaging and investing money are regarded as inappropriate to a Division or any other section of the organisation. It is felt that such powers are only appropriate to the Company as a whole, exercisable by or at the express direction of the Board.

There are six Operational or Group Directors (full-time Executive Directors), each of whom is charged with direct responsibility for one or more of the manufacturing Divisions, grouped in a convenient way. They are as follows :—

*Heavy Chemicals or Group A Director*, responsible for Alkali, General Chemicals, Lime and Salt Divisions.

*Dyestuffs and Pharmaceuticals or Group B Director*, responsible for the Dyestuffs and Pharmaceuticals Divisions.

*Ammonia and Agricultural or Group C Director*, responsible for the Billingham Division and Central Agricultural Control.

*Metals or Group D Director*, responsible for the Metals Division.

*Nobel or Group E Director*, responsible for the Nobel Division.

*Paints and Plastics or Group F Director*, responsible for the Plastics, Paints and Leathercloth Divisions.

The Wilton Works organisation, which it will be remembered is an additional unit, has also been placed in the charge of an Executive Director, who happens to be the Group C Director, but as yet it has not been assigned to any particular Group, as it is too early to decide what the final set-up should be. For convenience only, Wilton Council is shown on the chart under Group C.

It will be seen at once that by these means every manufacturing Division is directly represented at the Board Table.

Each Division Board has wide powers to carry on the Company's business within the Division, subject to I.C.I. Board approval, in matters of high policy and major importance. As an example of this delegation of authority by I.C.I. Board, reference may be made to the way in which Division expenditure is dealt with. This arises from the fact that, under the Company's adopted principles, financial policy is handled centrally, and

Divisions are not required to find money for their extensions from their own resources.

Each Division has authority to commit the Company in its discretion to the extent of £5,000 by way of capital or special maintenance expenditure on any project which is complete in itself.

Each Group Director has authority to approve on behalf of a Division for which he is responsible capital or special maintenance expenditure not exceeding £20,000 on any project which is complete in itself.

It will be noticed, therefore, that there is adequate authority for a Division to embark upon expenditure in the normal course of its business without waiting for the formal approval of I.C.I. Board as a whole.

Before other expenditure schemes can proceed (namely, those exceeding £20,000 each), they have first to be submitted to and to receive the approval of the Board. All the other expenditure items already approved by a Group Director or a Division Board under their respective authorities come before the Board by way of report. In this way the future use of authorities to spend money can be corrected by calling attention to any past exercise of authority about which the Board have felt doubtful.

The Group Directors spend their time partly in London and partly with the Divisions within their groups.

There is thus close contact between each Division and an individual I.C.I. Director, and (as already mentioned) each Division is directly represented at the I.C.I. Board Table. This ready means of access forms a valuable link in the chain of responsibility.

But although there is an I.C.I. Director in charge of each Division, that Director is not the only channel of communication between the Division and I.C.I. Board; further methods of approach exist through the Central Service Departments already mentioned and the particular Directors responsible for those Departments, as will now be explained.

In addition to the six Group Directors, there are seven further executive directorships, styled "Functional" because each one carries responsibility for the exercise of one of certain functional

duties relating to the Company's organisation as a whole—that is to say, “arms of the service” common to all Divisions. The Functional Directors are responsible for the Central Service Departments and for certain officials called Controllers, whose duty it is to operate their appropriate Central Service Departments, which in turn co-ordinate those services throughout the Company's organisation.

The Controllers are as follows :—

Cost Controller.

Development Controllers (Home and Overseas).

Office Administration Controller.

Overseas Controller.

Publicity Controller.

Purchases Controller.

Research Controller.

Sales Controller.

Taxation Controller.

The title “Controller” implies the exercise of considerable power, and in general the Controllers are concerned with administering policy, much of which falls to the Divisions and subsidiary companies themselves to carry out. The successful operation of this feature of the organisation has depended on the restraint and tact with which the Controllers carry out their functions.

In addition to the co-ordinating work carried out by the Controllers and Central Service Departments, and in order to effect a further degree of co-ordination, there are a number of small committees and panels, whose duty it is to advise upon, co-ordinate or investigate particular subjects. Those committees and panels ensure that the problems with which they deal are handled from the point of view of the Company as a whole. They are mainly informative and advisory rather than executive, in the sense that they are not concerned in any way with management functions. The Central Safety Committee, for example, advises the Technical Director on safety policy, and every Division is represented on it. The Construction, Priority and Licences Committee (which until recently was responsible for

considering, allotting and reviewing priorities within I.C.I. for capital construction projects, and for obtaining from the appropriate Government departments the necessary licences to enable the work to proceed) afforded an example of a committee whose main purpose was to co-ordinate. The Instrumentation Committee (concerned with the use and development within the Company of mechanisms which give information, e.g., flow-meters, pressure and strain gauges and automatic control instruments) and the Productivity Committee are examples of "specialist" committees set up to investigate particular problems and advise upon them. The Engineering Committee, of which the membership includes the Chief Engineer of every Division, also illustrates one of the means by which engineering experience and up-to-date engineering practice is made available throughout the whole organisation.

Indeed, many of the committees and panels owe their origin to the Technical Department, and most of the others to the Development Department, for both of those departments are specially concerned with the work of co-ordination throughout the whole of I.C.I.

The Functional Directors are each charged with responsibility direct to the Board for carrying out the policy of the Company in a particular sphere, as follows :—

- Commercial.
- Development.
- Finance.
- Overseas.
- Personnel.
- Research.
- Technical.

Each Functional Director is assisted in the discharge of his duties by Controllers and other officers, to whom he has delegated personal responsibility for carrying out the Company's policy in a defined field. For example, the Commercial Director (who is responsible for carrying out the Company's commercial policy) has delegated responsibility for home sales policy to the Sales Controller (who is in charge of the Regional and Area Sales

Offices and the Sales Depots Manager), and for shipping and other transport affairs to the Shipping Manager and the Transport Officer. Similarly, the Personnel Director, who is responsible for carrying out the staff and labour policy of the Company, has delegated his responsibility to various officers, such as the Chief Labour Officer and the Head of the Central Staff Department, who are responsible respectively for implementing the Company's labour policy and its staff policy.

It has not been found possible or desirable to impose upon the Company a system of organization which is rigidly homogeneous throughout.

Thus, there are some officials who, as their duties do not fall wholly within the scope of one specific Director's sphere of responsibility, are themselves directly responsible to the Board as a whole. The Solicitor and the Secretary, who, like the Treasurer, attend all Board Meetings, are in this category. The Departments in the charge of these officials are the Legal Department (with its Patents and Trade Marks Sections) and the Secretary's Department, which accepts responsibility for the Legislation Section, the Stock and Share Department, the Estates Department (much concerned with town and country planning) and Central Registry (that is to say, the Head Office filing department).

It has been briefly explained how six Directors are responsible for the Company's manufacturing affairs (arranged by Divisions) and how seven Directors are responsible for functional duties; and as there are twenty Directors, it is now necessary to consider the Board in more detail.

First, the Board meets twice a month, and at one meeting in each month each Functional Director and each Group Director submits a written report. In addition, the Finance and Commercial Directors make an oral report at those meetings at which they do not submit a written report. Before the holding of a Board meeting, the Chairman holds a conference with the other Executive Directors for the purpose of discussing the matters which are to go before the Board on the following day.

Of the twenty Directors, fifteen (including the Chairman and the four Deputy Chairmen) are Executive and five are "Non-

Executive" or "Lay" Directors. Generally speaking, the Executive Directors have been chosen from the members of the staff with wide experience of the Company's affairs. They have service agreements with the Company under which they undertake to give substantially the whole of their time and attention to the affairs of I.C.I. and are paid a salary. (In I.C.I. the term "Executive Director" is applied to all the full-time Directors, including the Chairman and Deputy Chairman, who are really controlling and advising on general high policy matters. The more generally accepted use of the term is perhaps that it should cover only persons who actually execute and carry out the policy of the Company—i.e., in I.C.I. the Functional and Group Directors.)

The Non-Executive Directors, on the other hand, are part-time Directors who merely attend the regular formal Board Meetings in an advisory and consultative capacity, yet are equally responsible with the Executive Directors for the higher policy of the Company and the decisions of the Board. They do not have service agreements with the Company, and are remunerated only by the fees payable to them under the Company's articles of association. They are often directors of other companies or have other occupational interests, and are chosen by the Board on account of their particular eminence and experience in other spheres of the country's industrial life.

Within this Company there is a particular value in the Non-Executive Directors, and they are regarded as an important entity in the Company's scheme of management and responsibility. They are in a position to introduce to the Board a questioning temper, almost a "new look" to Company matters. There is a danger that the outlook of an Executive Director who has spent all his working life with I.C.I. may sometimes become over-identified with a particular section of the Company's activities. This is particularly true in these days of specialisation. The presence of Non-Executive Directors on the Board helps to avoid this disadvantage by bringing a different outlook to bear on I.C.I.'s affairs and by stimulating new lines of thought in their executive colleagues. Another valuable function of a Non-Executive Director is to induce in his executive colleagues a sense

of the need to prove their case in matters requiring Board decision, by calling for information and asking questions. This function is of particular importance, because that which is generally understood and accepted within the Company should not always be taken for granted, and indeed is usually not so taken, by persons less familiar with I.C.I. affairs from within. In this way the Non-Executive Directors are able to provide the Board as a whole with valuable guidance in matters of difficulty. On matters of policy, large-scale capital expenditure and the like, the Non-Executive Directors, with their knowledge of other industries and of political trends and so on, will often exercise considerable influence in discussion, and to the Secretary of the Company it is interesting and instructive to hear them in action in this way, and to see how their views are examined and given due weight in the formulation of Company policy.

In the past, criticism has been levelled against the higher management of certain companies on the ground that a company's affairs were often in the hands of a board who had no knowledge of the particular industry and had been chosen entirely for their qualities and distinction in other walks of life. This represents one end of the scale; yet to the enquiring onlooker it seems that, for a large company at all events, a Board which consists entirely of directors recruited from the staff of the company, whose whole time is devoted to executive functions, may well be equally vulnerable. I.C.I., playing an essential and not inconsiderable part in the national economy of this country, has taken a middle course. First, its system, with Executive Directors performing functional and operational duties, ensures that the day-to-day management of the Company is directed by men with detailed knowledge and experience of the chemical industry, who can be experts in the subjects with which they deal. Secondly, in order to ensure that the general direction and wider aspects of the Company's affairs are not neglected, there are the Chairman and the four Deputy Chairmen (all Executive Directors with wide knowledge of the industry), who are relieved of specific duties and are free from the closely defined work involved in responsibility for particular aspects of the Company's affairs, and are thus able to look after and direct the Company as a whole.

Finally, the Non-Executive Directors, as already mentioned, are at hand for consultation and advice.

Such an organisation has, of course, its dangers. The assignment of specific functions to certain Executive Directors could easily lead to too much detail being brought to the top for decision at Board level. Furthermore, the Operational and Functional Directors could easily become so immersed in Division and departmental responsibilities that they might cease to play their proper part in the formulation of the Company's policy and the direction of its affairs at the highest level.

These dangers would seem to have been largely overcome in the Company by the accepted principles of delegation of responsibility and decentralisation, and by regular close consultation between the Chairman, and Deputy Chairman and the other Executive Directors, on all aspects of the Company's policy.

The delegation of responsibility begins at Board level. Each Functional Director and each Operational or Group Director has been given personal responsibility for a section of the Company's affairs, and considerable financial powers have been delegated to him. There has been further delegation at the Controller and Division Board level.

At this point it may be mentioned that in general the Company's policy, while it may be crystallised and directed at the formal Board Meetings, is in its origins formulated by means of constant informal meetings which the Executive Directors hold among themselves.

One should also remember that these Directors are not working in a vacuum—they are in close and daily touch with every aspect of the Company's affairs.

Besides his general responsibility as a member of the Board, the Operational or Group Director is responsible for the efficiency of his Group. This responsibility can be divided into three parts. First, the Group Director is the link between the Divisions and the Board. He carries downwards the general policy and decisions of the Board, and upwards the proposals and local decisions of the Divisions. It is his duty to ensure that the interests of the Divisions for which he is responsible are correctly assessed in the formulation by the Board of the general

policy of the Company, and to keep the Division Chairmen and other Division Directors within his Group informed, as may be necessary, of the Company's policy affecting not only individual Divisions but also I.C.I. as a whole. These objects he achieves largely by personal visits, and it will be remembered that each Group Director spends part of his time with his Divisions and part at Head Office (where he only needs a small staff).

Secondly, the Group Director has received authority, by delegation from the Board, to approve capital or special maintenance expenditure not exceeding £20,000 for any one project which is complete in itself. This also has already been mentioned.

Thirdly, the Group Director maintains close touch with the Functional Directors responsible for the Central Service Departments; they in their turn are in close touch with the persons in the Divisions who are actually discharging the functions for which they, the Functional Directors, are ultimately responsible. The Group Directors are therefore available, in case of need, as additional links between the Divisions and the Central Service Departments.

The Functional Directors, as the "arms of the service" common to all Divisions, benefit from their close contact with the Group or Operational Directors who (by spending much of their time with their Divisions) are *au courant* with all aspects, functional and operational, of Division affairs.

In addition to the close daily contact between the Functional and Group Directors, each Functional Director holds a conference regularly once a month with such of the other Functional and Group Directors as may consider it advisable to attend. By this means he is fortified by their advice and also is aided in co-ordinating his particular functions with those for which his colleagues are responsible. To assist the Functional Directors in the administrative work arising out of these conferences, each Functional Director has a conference secretary.

A Functional Director's powers of incurring capital expenditure are limited to £5,000 for any item complete in itself, and this limitation exists because in the main it is the operational and not the functional side of the Company's business that calls for heavy capital expenditure.

The responsibilities of the Group Directors are quite general in their relationship to the Divisions, whereas those of the Functional Directors are specialised, representing as they do in each case one particular aspect only of the Company's affairs.

It will also be noticed that as a result of the division of functional and operational responsibility among the members of the Board, every question involves at least two directors. It is never left to one man alone. Any Division problem will involve the appropriate Group Director, together with one or more of the Functional Directors, and any functional problem involves at least one Functional Director, together with one or more, or perhaps all, of the Operational Directors. This does not mean that no one Director can make a decision. It merely means that there is always another aspect than his own to be considered; and he must make sure of being able to carry his colleagues with him on a matter if he elects to handle it alone.

Within I.C.I. it is the practice to ignore what is said to be a fairly widely accepted principle of organisation—namely, that there must be only one clear line of authority running from the top to the bottom of every undertaking, and that functional authority can therefore never be direct, but must always be exercised through the appropriate line of authority.

In I.C.I., for every Division problem there is not one line of authority, but two. There is the line from the Division through the Group Director to the Board, and there is a similar line through a Functional Director.

On paper, therefore, it might be claimed that the Company's organisation is open to criticism. On the face of it, it seems impossible to resolve the apparent conflict of authority between Functional and Group Directors. For example, can the Commercial Director over-rule the decision of a Group Director who is fortified by the opinions of his Division Boards? Who is to have the last say, and what is the relation of one Functional Director to another? Many a thing that the Research Director does, for example, has a financial side to it. Who is supreme, the Research Director or the Finance Director? This is the sort of question which will be asked by any man looking at the organisation on paper.

In practice these problems rely for their resolution upon the close relation maintained between the Directors. They are not strangers, who meet each other occasionally, but are men who work together in close daily contact with one another. Furthermore, on any matter on which they want further advice they can turn to the Chairman or the Deputy Chairmen.

Thus, the Group Directors, through their close contacts with the Functional Directors, are fully informed on and have always taken a hand in any major functional decision which has been made. There is therefore no divergent interest between the Group and Functional Directors, and all are able to share comfortably their equal responsibility as Directors for the policy of the Company as a whole.

It comes down to the question of balance of responsibility, and one cannot over-emphasise the importance to the higher direction of the Company of the true balance between the Group and Functional Directors.

The Group Director, with his responsibility for part of the Company's manufactures (represented by Divisions), is obviously concerned not only with actual manufacturing operations, but also with functional matters within his Divisions; but these functional affairs concern the Company as a whole, and not merely the particular Group within the Company; and if the appropriate balance is to be kept, functional affairs should be in the hands of specialists.

On the other hand, concentration of responsibility in the hands of Functional Directors alone would surely tend towards over-centralisation of the Company's affairs; and within I.C.I. the counterbalance provided by the Group Director does seem in fact to ensure a happy matching of the benefits of centralisation with a full measure of delegated responsibility, so that the essential freedom of the man on the spot, responsible for the production of the Company's products, is not sacrificed.

It is also of some importance to bear in mind that there is a certain amount of movement on the Board between functional and operational responsibility. Many of the Functional Directors have at one time or another been Group Directors, and there are Group Directors who have exercised functional responsibilities.

Lately there has been a further development in the appointment of two Group Directors to carry on jointly, in addition to their Group responsibilities, the duties of one of the Functional Directors.

A further point for note relates to the membership of the local Division Boards. The pattern of I.C.I. Board is there reproduced to some extent—that is to say, the Division Chairman is without specifically defined executive duties; there are production, development, research and personnel directors, each responsible in his own specific sphere; and comparable with the I.C.I. "Lay" Directors, there are visiting directors, who are whole-time I.C.I. employees based mainly in other I.C.I. Divisions.

Every three months there is a meeting of all the Division Chairmen with the I.C.I. Executive Directors, at which major matters of policy affecting the Company as a whole can be discussed and ventilated at a stage in advance of the time when actual decision is called for.

Since its formation in 1926 I.C.I. has adopted various forms of organisation, for of course no scheme is likely to suit any industry for all time, and it would have been indeed unfortunate for the Company if on its formation a scheme had been laid down with the intention that it should be permanent. Initially, there was need for concentrated centralisation in order to find out exactly what the resources were. In the early years, therefore, from 1926 to 1930, there was a chief executive in the form of two joint Managing Directors; and working under their direction there was an Executive Committee of the Board, consisting of all the full-time Directors, organised on a functional basis. Responsibility for particular functions (e.g., purchasing, transport, production and research) was delegated to individual members of that committee. During this period an organisation was beginning to take shape by subsidiary companies according to products manufactured (today represented by the Divisions), but executive control of those manufacturing activities was initially secured by full-time I.C.I. directors sitting on the boards of the subsidiary companies. This worked well enough while general management policy was in the process of being formulated and while

the organisation was being built up, but as soon as these initial stages had been passed, changes were needed in order to save time and simplify the administration.

During the next period, therefore, from 1931 to 1937, the policy of decentralisation was adopted. There was still one I.C.I. Managing Director as chief executive; but the other full-time Directors were freed from the burden of direct executive control of the groups of companies (the forerunners of the manufacturing Divisions), which was taken over by local officials (including a local managing director) plus a chairman (not an I.C.I. director) located in London, but dividing his time between his group and Head Office. Co-ordination was effected by committees—in particular, by one consisting of all the group chairmen, together with other senior I.C.I. officials, presided over by an I.C.I. Director.

By 1938 the continued expansion and growing complexity of the Company's interests at home and abroad had come to involve an exceedingly heavy strain on the Managing Director, and that office was therefore discontinued; and until 1944 the duties normally assigned to it were taken over by a Management Board consisting of all the Executive Directors. The day-to-day administration of the Company's business was still divided into sections on a functional basis. Each section was entrusted to an Executive Director fortified by a committee consisting of himself as chairman and three other Directors. Those committee chairmen reported to the Management Board. The methods of co-ordinating the activities of the groups remained substantially unchanged.

Finally, since 1st January, 1944, the system has operated which has been described in this paper, whereunder I.C.I. Directors are individually responsible, some only for functional services but others for manufacturing operations, and the committee system has been eliminated so far as top management is concerned.

Within I.C.I. the view is no longer held that management functions can be well exercised under the committee plan alone; and although the Division Boards are in effect local management committees, they are in fact operated largely on the basis of one individual's prime responsibility for production, research, per-

sonnel and so on, as already explained. It is current opinion that the most important change introduced under the 1944 scheme has turned out to be the creation of Operational Directors who provide an administrative balance with the Functional Directors which was missing in the earlier schemes.

*Editor's Note*

*To some readers an ounce of personal experience may outweigh a pound of impersonal history, and for them the author has generously provided this note.*

In 1926, when I.C.I. was formed, I was an Assistant Secretary of Brunner Mond & Co., Ltd., which was one of the four merging companies, and I was appointed to be one of the original three Assistant Secretaries of the new Company.

Over the years, therefore, I have seen I.C.I.'s organisation evolve, and have spent much time in drafting and re-drafting resolutions, minutes, charters, terms of reference and the like, in order to suit the suggested needs of the Company at the moment and the ideas of the many different people who at various times have been fascinated by the problems of large-scale administration. Continuity of service and work have enabled me to see in operation at fairly close quarters all the Company's forms of organisation and to help in administering them. You may ask me what I have specially noticed from these opportunities.

First, I have seen the gradual introduction of a functional organisation, modified and balanced by a parallel group or operational organisation, so that the form of the essential problem—that is to say, the combination of central control with individual operating responsibility in the factory—is represented at Board level.

Secondly, there has been a tendency to move away from the committee system and to substitute for it the concentration of a large measure of executive responsibility in the hands of many individual directors, accompanied by more and more decentralisation—which I believe follows from concentration of responsibility in the individual.

Thirdly, while none of our schemes can be entirely free from justified criticism, and, looking back, some of us may wonder

how we managed as well as we did at particular stages, I think it is fair to say that each scheme in its time has served its purpose reasonably well. I myself believe that our present system works better—apparently more quickly and more smoothly—than its predecessors, and, as a solicitor now turned administrator, I have preferred it; but I would not say that I have found the difference in efficiency so great as the partisan champions of one scheme or the ardent detractors of another would have us believe; and perhaps in twenty years' time our present system will be viewed askance by our successors.

I myself believe that no successful organisation scheme, as a scheme, can be, or should aim at being, static. It must be a live thing—evolutionary and progressive, ever ready to correct the mistakes of the past and to absorb, here and there, and at the appropriate moment, each lesson of experience and each advance in knowledge or ideas that has a certain permanent value and can be usefully grafted on to the main stem for the benefit of the whole.

In saying this, however, I must affirm my belief in the need to conform to the adopted pattern of the moment. A bad plan kept to is better than no plan at all; and a plan that is constantly being changed capriciously is no plan at all; but no plan of industrial organisation should, in my view, be sacrosanct.

There is always much to learn, and at any time it may be necessary to adopt an entirely new scheme through changed circumstances or in order to profit by cumulative practical experience, though such drastic changes should necessarily be infrequent enough, and introduced only after full deliberation.

The kind of organisation that a company adopts is necessarily influenced by the type of business the company carries on. For a one-product concern, or a bank or insurance company, primarily concerned with the lending of money or the selling of insurance policies, together with the investment of funds on a large scale, those who are familiar with the running of such businesses, and therefore best able to express an authoritative opinion, may affirm that a simple and clear-cut organisation is most suitable, and that it may be practicable for the Board, whose responsibility it is to formulate and guide the policy of the concern they direct, to

divorce themselves entirely from executive duties, which may then be placed in the charge of one or more general managers.

We have found, however, in the case of such a manufacturing concern as I.C.I., covering a wide range of products varying greatly in type, method of manufacture and use—some of them perhaps competitive—with a corresponding variety of functions, the unit seems to be spread too widely for one or two men only to hold the whole of it before their minds as an entity and at the same time to control it in the requisite detail. Modern industry is too complex to permit of such a simple solution. Chemical products are often superseded rather unexpectedly, and a single important invention can in a short time render obsolescent thousands of pounds' worth of plant and machinery; and I doubt if it is possible to direct exhaustively without a comprehensive knowledge of the industry and its problems, involving such a knowledge of detail as can come only from direct engagement in executive duties. For this reason, I suggest that, as regards most of the whole-time directors of a large industrial concern, direction and executive duties must go hand in hand so far as the individual director is concerned, and that the danger of bringing too much detail to the top (with consequential diversion of attention from the prime function of formulating policy and deciding matters of major importance) can be overcome by wide delegation of his executive responsibilities.

The simpler the task the more easily it can be organised; and the converse is true. And in the last resort any scheme of organisation stands or falls by the personalities operating it. Some people can make anything work, and no scheme can succeed without the determination of its administrators that it shall work well. In a large industrial concern with wide ramifications the problems are such as to justify an organisation that is not too rigid, even at the risk of a little duplication and overlapping. In such a case, it seems to me, the perfectly planned scheme will always fall shorter of the ideal than does the scheme with a few loose ends which can be grasped at will when the special case comes along. Call it untidiness, looseness or latitude, as you choose, a small measure of it can, in my experience, act as a safety-valve and serve a valuable purpose.

In I.C.I. the officials and senior staff have ready access to individual Directors, and we greatly value that feature. Rigidly prescribed duties and channels of responsibility, besides curbing initiative, can tend to cause delay and confusion in tasks that seem not to fall clearly within the scope of a particular person's responsibility; and those of us who are in charge of I.C.I. Departments welcome the latitude that we are allowed in working out the frontiers of our own jobs.

Although in essentials we keep strictly within the framework, our scheme does enable the organisation to be moulded by, and to some extent to be built around, the personalities of the individuals who compose the undertaking; and I believe it can stand the strain of and cope adequately with the outstanding personality without being warped by it.

## LEVER BROTHERS AND UNILEVER LIMITED

by SIR GEOFFREY HEYWORTH  
(*Chairman*)

THE purpose of this paper is to discuss the organisation of Lever Brothers & Unilever Limited as an example of the way in which one large business conducts its activities. It is not suggested that this is the only possible way or that it is suitable for imitation in detail by other organisations, though some of the principles which emerge may be of general application. The only assumption which is made is that every reader is aware that Unilever is a world-wide concern whose main activities have to do with oils and fats in one form or another, from the buying of the raw material to the making of margarine, soap or ice-cream.

If the description of the way in which Unilevers are organised is to be comprehensible, it is necessary to begin by considering its purpose and the factors which have governed its growth.

Its primary purpose is the manufacture and sale of a wide variety of products, mainly consumption goods, to be used by the housewife, and including margarine, cooking fats and oils, soaps and washing preparations of all kinds, toilet preparations and perfumes, and fresh, tinned and frozen foods ranging from fish and meat to tea and strawberries. The extent of the business which Unilevers can do is governed in any country by the standard of living of the average household. The higher the standard, the wider the range of products Unilevers can sell.

Ancillary to the manufacturing and sale of consumption goods is the side of the business which is concerned with obtaining and processing raw materials. Examples are Unilever's wide interests in oil-seed crushing and animal feeding-stuffs selling, or Unilever's original interest in the United Africa Company, amongst whose activities the purchase of vegetable oils and oil seeds still ranks high.

The activities of the Unilever organisation, however, cannot

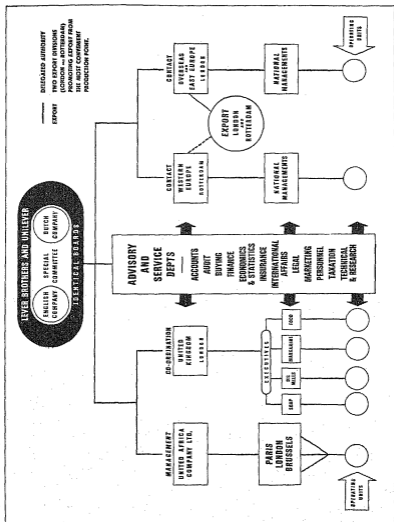


FIG. 9.

all be logically related to one another, although most of them can be traced back in some way to oils and fats. History explains a number of anomalies: for instance, Mac Fisheries was originally formed to provide shops to sell the catch of the fishermen of the Islands of Lewis and Harris, off the West coast of Scotland, in whose development the late Lord Leverhulme took a private interest; and Walls were originally a subsidiary of Mac Fisheries in the days when sausages were a familiar sight on the fish-monger's counter.

History, too, is responsible for the very important fact that Unilever is not organised as one business, but as many businesses. It springs from three principal sources, the Dutch family concerns of Van den Berghs and Jurgens, and the English Lever business. Each of these three companies comprises within itself a large number of well-established businesses which had either grown out of the parent company or been bought by it, and it has usually been the policy to maintain the individuality of such businesses rather than to submerge them in the parent company. The main reason is that operating in many different countries and markets produces differences between our units which automatically give them separate individualities. Running Atkinsons perfumery business in South America obviously requires a very different technique from running a cattle-food business in Holland.

Another factor which has been of importance throughout the history of Unilever is that the activities in which the business is engaged are all intensely competitive. Important, too, is the fact that Unilever is an international organisation in outlook as well as in operation, both because its origin was Anglo-Dutch and because it sells its products and buys its raw materials all over the world. Therefore it has both to keep in step with public opinion in the home countries, Great Britain and the Netherlands, and, even more important, it has to find methods of maintaining and increasing goodwill amongst the millions of housewives scattered through fifty countries with fifty different national attitudes, on whose purchases it depends.

History and purpose, therefore, define the task of managing Unilevers. This task never remains constant. Just as people

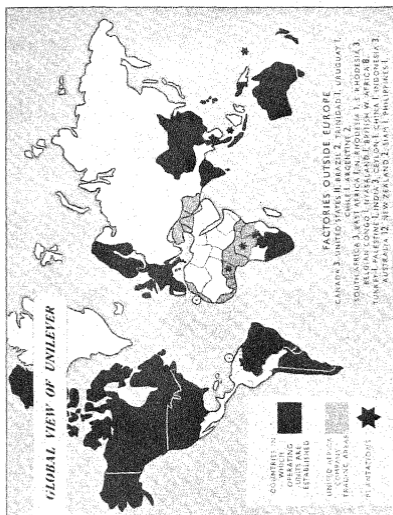


FIG. 10.

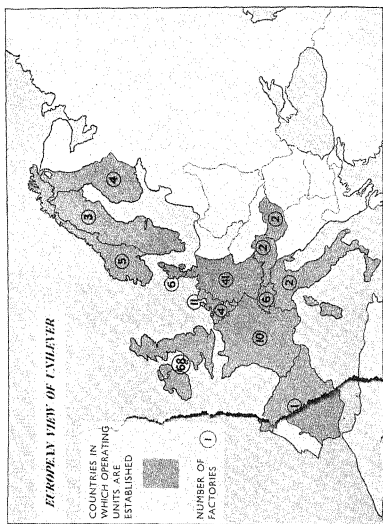


FIG. 11.

and economies are always changing, so in our business we are always meeting new problems and new aspects of old ones, and in order to meet them a change of organisation is frequently necessary. The description of the organisation which follows, therefore, is only a snapshot whose definiteness is misleading. It has to be remembered that the organisation is constantly changing in response to new needs and new pressures.

The organisation consists of two holding companies—Lever Brothers and Unilever Limited, the English Company, and Lever Brothers & Unilever N.V., the Dutch Company, with identical Boards and with Memoranda and Articles of Association as similar as the legal systems of England and Holland will allow. The maximum number of Directors is twenty-five, but no provision is made as to the number of Dutch or English representatives, for the fundamental reason that our organisation is integrated, and not twofold, intended to produce an Anglo-Dutch team, and not two nearly balancing factions. All members of the Board are full-time working Directors with managerial appointments in the organisation in addition to their office on the Board, and are remunerated not as Directors, but as Managers.

A Board of this size is regarded as too large a body to deal in the first instance with policy questions or to handle detailed operations. These functions of higher management are delegated to groups which may be said to operate on two levels. At the highest level there is the Special Committee, appointed by the Board annually, and consisting of a few of its members who are freed from all routine executive duties; to them the Boards have delegated the power to deal with broad policy, to co-ordinate the work of other Directors and to supervise the operation of Advisory and Service Departments. Their recommendations and an account of their activities are submitted to the appropriate Board at a weekly meeting. As at present constituted, the Committee consists of Mr. Paul Rykens and myself—Chairman respectively of the Dutch and the English Companies—Lord Leverhulme and Sir Herbert Davis.

On the lower level are four groups. The first three have regional responsibility, one for the businesses in Western Europe, one for the United Kingdom, and the third for those outside

Western Europe. The fourth group is responsible for the affairs of the United Africa Company Limited and operates a self-contained organisation responsible for the whole management of that Company's mercantile and industrial activities wherever they may take place. These Management groups or Control groups, as one may call them, include members of the Board, but have other members also.

Alongside these Control groups are a series of Specialist Advisory and Service Groups which provide advice and assistance both to them and to lower levels of Management down to the factory floor and the selling front. The function of these departments—each in its own sphere—is to act as a repository of the latest and best knowledge and to make it available wherever it may be needed throughout the organisation, especially in the form of advice to any section asking for it. These Departments, which are by no means an unusual feature in large-scale organisation, include Accounts, Audit, Advertising, Buying, Finance, Economics, Insurance, International Affairs, Legal, Marketing, Personnel, Taxation, Technical and Research. Their function is essentially a staff one, the justification for their existence is their use and value to the operational side of the business.

In most countries active operational management is in the hands of a single National Management responsible for all Unilever activities. In the U.K., however, the various sides of the business are of such importance as to justify a separate National Management for each, and so we have four Executives—as they are called—responsible for the four principal sections of the business—Soap, Margarine, Oil Mills and Food. These National Managements (or Executives) have under their responsibility the individual operating units, which vary in size and structure according to the particular requirements of the business carried on. In some instances an operating unit deals with both the manufacturing and the selling side of the business; in others these sides are dealt with separately. It is for the support of these units, of course, that the whole organisation has been devised, as it is upon the skill and efficiency of these units, whether in production or selling, that the organisation is finally dependent. It is therefore the fundamental purpose of the

higher levels of Management to place the operating units in a position to perform their essential functions with the minimum of trouble and difficulty, and with the maximum freedom from unnecessary distractions and worries. Included in these operating units are those responsible for the export side of the business, divided into two sections, one in London and the other in Rotterdam, charged with the task of promoting export from the most convenient production point.

The structure of the organisation as a whole is made clear by Fig. 9 on page 167.

The simplest way of explaining how the organisation works is to show how we try to achieve :—

- (i) Speed of decision.
- (ii) Quality of decision.
- (iii) Adaptability to change.

In business the battle is always between speed and quality. Sometimes speed is the determining factor, sometimes quality. Incidentally, speed of decision has a special value, in that it develops a sense of purpose in the organisation, a feeling that it is going somewhere definite, which is of great assistance in maintaining morale. Speed of decision is obtained by delegation and decentralisation.

Control from the centre is kept down to a minimum, and rests basically upon three devices :—

- (i) The Annual Operating Plans.
- (ii) The Annual Capital Expenditure Budgets.
- (iii) The Selection and Annual Review of Remuneration of Top Management.

All three concern all operating units.

We will first consider the Annual Operating Plan. Under this, the operating unit first estimates its prospective sales and costs, and thus arrives at an estimate of the following year's profit or loss. This is discussed in detail, usually during a visit by a member of the appropriate Control Group. At those discussions there will be members of such Advisory and Service Departments as may be particularly interested, if they are avail-

able. The plan is gone over in detail, and perhaps adjusted : when it is finally agreed, it is brought forward by the Control Group for the Special Committee's approval. After that it is made known to everybody in the organisation who needs to know about it, notably all the Advisory and Service Departments.

Only in exceptional circumstances is the Plan ever formally revised in the course of the year for which it was made, and once it has been accepted it is for the operating unit itself to take all the short-term decisions required to carry it out. Thus within the limits of the Plan it can buy its own raw materials, alter its selling prices or change the size of its staff.

The second control is the Capital Expenditure Budget. This includes all items on which it can be foreseen that money will have to be spent during the year. It includes both renewals of existing plant and additional plant where additional facilities are required either for the current operating plan or to provide for expected future demand. It might also include a suggestion for the acquisition of a business if that were considered the most economical method of bringing about a desired development. This instrument is therefore the means of focusing medium- and long-term policy, because almost every long-term policy will require capital expenditure in some form. It is appropriate, therefore, that this budget should be discussed with deliberation, and the views of a number of Advisory and Service Departments are likely to be sought. For instance, if an extension is to be undertaken overseas, it would be for the Finance Department to say whether the money can be made available; or taxation questions may arise; or there may be problems which require the advice of the Economics Department because, for example, the Finance Department is uncertain whether the economy of the country concerned would be likely to stand the transfer of money three years from now or not. So everybody concerned is brought into it, and because the projects are mainly technical, the Technical Advisory Service joins with the Control Group to sponsor the budget to the Special Committee. And if the project is a big one the discussion will take place in the country concerned, members of the Special Committee, Control Group and Advisory Staff making a visit for the purpose. Some of these discussions

over capital expenditure go on for a considerable time, but responsibility for reaching a decision always rests with the operating unit, the appropriate Control Group having a watching brief to minimise delays at headquarters.

The third control is the selection of the top management of the operating units and the fixing of their salaries. More will be said about selection subsequently. There are four or five people in each operating group whose salaries are reviewed annually by the control group responsible. Each operating management is then in a position to deal with all engagements and remuneration of subordinates without reference to the Control Group.

All three controls have a common aim, to clear the path ahead for a year at a time for the operating units. The operating plan, the annual budget and the salary recommendations are all submitted towards the end of each calendar year.

This delegation and decentralisation would not be effective if the central formations, the Control Groups and the Special Committee did not have some very definite rules in their minds.

(i) The man on the spot must either be backed or removed. It is not sufficient to leave him there and confine oneself to over-ruling his decisions and recommendations.

(ii) The man on the spot is bound to make a certain number of mistakes. It is necessary, therefore, to be sparing in reproof when he exceeds his authority because initiative is a very tender plant whose growth must be fostered even if it involves a few weeds flourishing too. For the same reason care should be exercised even in criticising those decisions which he makes within his authority. It must be remembered that the function of criticism is firstly to help, and therefore we should criticise only in so far as the criticism is likely to prove helpful.

(iii) This is the most important rule. The centre must resist the temptation to add to controls. Additions can only weaken effective decentralisation.

Next, quality of decision. That rests primarily on the effectiveness of the Advisory Services. Their whole purpose is

to offer experience and knowledge of a quality that the individual units could not afford on their own. As their name suggests, these Advisory and Service Departments do not give any orders. They can only suggest, recommend or persuade. Whether their advice should be accepted or not must always rest with the operating unit. It is the operating unit which has to apply the advice, and the application will obviously lack conviction and enthusiasm if the men in the operating unit are themselves not convinced of the validity of the idea on which they have to act. We feel this so strongly that we do not even confine our companies to our own Advisory and Service Departments. They are fully within their rights in going elsewhere if they think that in that way they can get better advice or service.

Therefore, if these men in the Advisory and Service Departments who have to give advice on actual operation are to be successful, they should themselves have a reputation as successful operators. The hard-boiled man on the job is unlikely to be impressed by theory unsustained by experience. Thus the head of the Technical Division has been both the head of our largest Research unit and the chief operating head of the largest factory. Everybody therefore knows that his knowledge is not confined to books, and he carries weight accordingly.

Similarly in the Marketing Advisory Division: one member, after early specialisation in theory, was subsequently responsible for the whole of our business in Australasia; one of his colleagues has run successfully a large advertising agency; and a third has had charge of the advertising and selling functions of the whole of the Canadian businesses.

The Advisory and Service Departments do their work as far as possible by personal visits. Visits are made by the head men—not by subordinates. If they cannot go themselves, then senior men with the necessary "know-how" from an operating unit elsewhere may be borrowed.

A complication is that these departments may be executive as well as advisory. An obvious case is where they act as agents for an operating unit. The operating unit may delegate the whole of its raw material buying to the central Raw Material Buying Department, simply sending the plan of its requirements

and saying "Do the best you can for us throughout the year". Buying Department will then not only give advice, but will actually go out into the market and place the contracts. Similarly, a company will contract out to Legal Department the supervision of trade-marks. On the technical side a small or medium-sized unit will contract out the drawing up of plans for new buildings and plant layouts to the engineering section of Technical Division. A larger unit may perfectly well be able to justify a department of its own, in which case it would come to the centre only for suggestions and for criticism.

Since the advice cannot be enforced, it must be both good in itself and presented acceptably. Tact is therefore a primary qualification for those who run Advisory departments. Also they have to have exceptional self-control, because they never have the satisfaction of themselves putting their ideas into practice, and yet final success is often dependent as much upon them as upon the man on the spot. Finding such men is, therefore, one of the organisation's major problems, especially as many good operators do not like what they consider to be the excessively theoretical work of headquarters.

Neither speed nor quality of decision can be effectively maintained unless the organisation is capable of adapting itself to internal and external change. An external example is the change brought by the war in the old social and political pattern in many countries, which ended for ever. In the Far East, for instance, there has been a notable upsurge of nationalism. We did not think it reasonable to rely wholly on the local management for opinions about these new trends: so we set up a department of International Affairs to study them and advise us on how to adapt our policy to these new social and political aspirations. An internal instance was the formation of the Marketing Advisory Division. Up to four years ago we circulated informally a growing amount of information about selling and advertising, but there was no objective study at Headquarters of distribution problems, only a little local study in the different countries. Interest in the subject was, however, increasing both within the organisation and outside it, amongst politicians, economists and social and public-health workers; it was therefore felt that it

would be useful to provide a more complete service, and the Marketing Advisory Division was set up to give it.

It is not enough to foresee the need for change. Changes must be accepted by the organisation and made to work. There are various techniques for that. There are Organisation and Method Departments, internal re-organisers, who go from company to company plying their craft. There is the outside consultant, who is usually more effective at diagnosis than at the actual carrying out of a re-organisation plan. Then there is the *ad hoc* investigator—somebody from within our organisation who has great experience of a particular aspect of it, and who is asked to report on a part of the organisation for which he normally does not have any responsibility. He may subsequently be charged with carrying through any re-organisation decided upon. Finally, there is the study group technique, in which three or four people interested in a problem are brought together to recommend changes in method. It may be desirable to include in the group the staunchest protagonist of the existing method, in the hope of convincing him of the need for change, and so paving the way for ultimate adoption of the new method. Speed in making changes is important, and human nature, being what it is, is difficult to contrive. I think the occasional use of irritants for bringing it about may be justified. But obviously the best assurance of speedy change is a climate of open-mindedness permeating the whole organisation.

Effective delegation, effective advice and adaptability to change depend on the efficiency of the communications throughout the whole of the organisation. By "communications" is meant the relations between the centre and the perimeter, and of both with the Advisory and Service Departments. The quality of these communications is determined by the confidence that the key people throughout the organisation have in each other. That raises again the question of selection. If we get the right people, confidence is easier to develop. These key personnel must have, first character, second ability, and third the will to co-operate with others. Those selected must not only be the best available in the eyes of the selectors, but must be accepted as being such by the organisation at large. Having

made the best possible selection, we have then to provide the maximum opportunity for personal contact. They have got to get to know each other. They meet in the ordinary way to deal with specific problems; but we also occasionally bring them together to deal with more general problems with which they may have no direct concern. Moreover, to promote personal contact, all members of the Special Committee, all the members of the Control Groups, all the top people of our Advisory and Service Departments, travel abroad as well as in this country; they spend an average of three months out of the twelve away from Headquarters. Some may be away from home for as much as nine months of the year; others make only an occasional journey.

It is no use for all the people who travel to be going one way. The people from the operating units must also come to the centre. The general rule is that the head of an operating unit—and, if it is a large unit, two or three of his subordinates—should visit London and Rotterdam at least once every two years, however far distant his command may be, and oftener and for shorter periods if he is near.

Also essential is a constant flow of news from the centre to the perimeter and from the perimeter to the centre. As we go about we not only make sure that we ourselves tell others "more than they need to know", but also see that they in turn tell their subordinates more than they need to know. And as we go about we must encourage people to say what they think, because only by so doing can confidence be built.

In the whole organisation shown on the chart (Fig. 9) there are about 200 people who take on themselves the decisions which make or mar the success of the business as a whole. This 200 is a constantly changing group depending on the problems that are thrown up; it is by no means an exclusive club. The biggest job of top management is to ensure the quality of this 200. To do so it is necessary to know something of the quality of about three times that number in order to be able to make the best selection when vacancies arise. We not only have to know something of these 600, but we have to see that they get opportunities for gaining the necessary breadth of experience to be

able to fill one of the 200 posts. This involves planning moves of promising people progressively. For example, a young production manager in England might be moved to an Advisory and Service Department in London or Rotterdam for a year or two before returning to a larger operating unit, perhaps abroad. He is observed by his immediate superior and by the travelling members of top management. Thus gradually Personal Department are able to build up data that enables them to put forward more than one candidate for one of the higher posts when it falls vacant. Due to the cessation of recruitment during the war, we have not yet rebuilt a sufficient pool of people to have the choice we would like to have. In this situation our rule is that it is better to leave a vacancy unfilled than to lower the standard; and if we have to make a choice between filling a vacancy in an advisory department and filling one in an operating unit, priority is always given to the operating unit, because it is no use providing for good advice if the operating units are not staffed with men of the ability required to carry it out effectively.

An important general principle which applies to all top management, whether of operating units, advisory services, or central control, is that its first responsibility is to achieve an effective overall result. Each individual is expected to make any contribution he can to the operations, whether or not it falls within his defined sphere of action. Thus it is the job of a sales director who sees things going wrong in the production department—to the point that the overall plan is jeopardised—to give what help he can to put things right. So we do not spend much time drawing up functional charts or writing definitions of duties. We believe that undue precision and definition can be—and often are—the enemy of flexibility, liveliness and effectiveness. I may perhaps be permitted to illustrate this with a personal reminiscence of twenty-one years ago. I had just read a book on organisation and methods, and been greatly impressed with what seemed to be the secret of efficient working, to define exactly what everybody was doing. So I started out one weekend to define my own job and those of my two chief assistants. When I finished there was one obvious and simple conclusion—I was overworked to the point of breakdown, and so were the

two others. The remedy seemed clear: we must have at least two more competent people in our group to help carry our intolerable load. But I was lucky, because before I had a chance to tell my chief of my week-end's conclusions, a rush job turned up, and I had to go to Bristol. That meant sitting in a railway train for four hours, and I pondered over the problem again. By the time I got to Bristol I was not so sure I *was* overworked, because when I wrote down how I actually *spent* my time, I found that not more than two-thirds was taken up performing the duties I had listed; the other third was spent doing tasks for people in other departments. Then I realised that there were people in other departments helping me with my tasks. So I did not tell my chief that I needed two more subordinates.

We believe, therefore, that we should keep the fences between compartments of the business low, so that people can jump over them; in fact, we encourage them to do so. If you have picked the right people and they have developed confidence in each other, any friction that arises should be easily manageable and will be more than compensated for by the extra effectiveness and liveliness of the whole organisation.

Finally, it must again be emphasised that our organisational structure and method of working are determined by the task we have to do. Ours is a commercial job, and both the structure and methods we have adopted have been developed over a long period, and are constantly undergoing change. In attempting a description I have concentrated on principles rather than details. I am certain that the detail can have little interest for any other organisation—commercial or otherwise. We see that even within our own organisation. The problems of the U.A.C. are quite different from those of our manufacturing units, so it is not surprising that, for example, the methods that the U.A.C. use for contact between the centre and the perimeter follow quite different lines from those described. But the principles laid down still have validity, because U.A.C. is a commercial operation, and is under the same necessity as all the other sides of the business to maintain a balance between speed and quality of decision. How far these principles have validity in organisations that are not basically commercial is for others to judge.

## MIDLAND BANK LIMITED

by H. L. ROUSE  
(*Chief General Manager*)

It is a pleasure to be invited to make a contribution to this important book. Apart from the value which it will have to those primarily interested in the study of organisation, it will also help us the better to understand each other's problems and points of view at a time when mutual understanding in all spheres of public and business life is so essential. This paper will describe two main aspects of the organisation of the Midland Bank:

- (1) the nature of the task of the bank;
- (2) the methods by which the bank's responsibilities are carried through.

It will be unnecessary to refer to the chart on page 188 until the second part of this paper.

The Midland Bank maintains a complete banking service controlled from London and at present operating through about 2,050 branches in England and Wales; with it are associated two subsidiary banking companies in Scotland\*—the Clydesdale Bank and the North of Scotland Bank—one in Northern Ireland—the Belfast Banking Company—and the Midland Bank Executor and Trustee Company, which conducts its business through twenty-five branches in England and Wales. It would not in this brief form be possible to afford a detailed description of all the Bank's work nor to make any reference to all the services which it offers to its customers individually and to the community as a whole, but the steady increase in the range of a commercial bank's activities is worth noting. In recent years banks have undertaken services which have placed them in the position of an agent

\* These two subsidiary Scottish banks were merged to form the Clydesdale and North of Scotland Bank in January, 1950.

to various Government departments; the sale of Defence Bonds and National Savings Certificates, the banking of clothing coupons and the operation of Exchange Control regulations, are among the many new commitments which have recently tested the adaptability of bank organisation. The chief function of the Bank consists in the distribution of money in all its forms and the safe and speedy transmission of the funds needed for the smooth working of Britain's business affairs. From this obligation two main problems of organisation arise :

- (a) the operation of the cheque system, and
- (b) the maintenance of adequate cash resources in notes and coin at the right place at the right time.

Both these commitments require a high degree of speed, accuracy and integrity on the part of the staff employed. In the Midland Bank in the course of an average day's work the cheque system involves dealing with millions of entries relating to cheques, credits, bills, drafts and similar items representing transmission of funds. The introduction of mechanised systems of book-keeping has reduced the burden of clerical work and enabled this part of the Bank's activity to operate as a routine; but the organisation of this work in the larger branches and the clearing department at the Head Office has to prepare and provide for peak loads, such as those resulting from Stock Exchange settlements, dividend disbursements and the payment of large monthly accounts by Government departments and business generally. It should be remembered that all items must be dealt with on the actual day of receipt, for the Bank cannot hold over work in order to spread the load. Consequently our organisation has to be flexible even at this routine level. No section of the staff works for fixed hours, and it is the balancing of the day's transactions and not the clock that determines the end of the working day for the majority of the employees.

The volume of cash paid out in the week's wages and the importance of providing an adequate cash supply raise obvious problems of organisation. Millions of pounds are paid out over our counters at the end of each week in wages alone, mainly on a Friday, and during the first half of the following week this cash

normally finds its way back to the tills of the banks through the shop-keepers; but the situation is not quite so simple as this, for the cash paid out seldom returns to the same branch—or, indeed, the same bank—as that from which it was drawn. Thus some branches will accumulate surplus cash, which is remitted to their allotted cash centre in London or the provinces, while others will have to make demands on these centres for additional cash during the following week to meet wage requirements and other heavy disbursements. This comparatively simple aspect of the Bank's work presents several problems of organisation. All banks have to keep an agreed ratio of cash to total deposits, and consequently at present about 8 per cent. of the total credit balances lodged by customers must be held in cash. Thus, in February 1949 we held over £103 millions in cash and balances with the Bank of England. For reasons of security the Bank stipulates the maximum amount which can be held at a branch. The physical difficulties are not generally realised that attend the handling and movement of notes and coin associated with figures of this magnitude; even the bulk and the weight of cash itself is seldom considered except by those who handle it.

So far the subject has been confined to the work which involves problems of routine performance and control; but it is necessary also to consider the vital service of providing credit in the form of loans, overdrafts and discounts for the requirements of industry and commerce and for private and professional purposes. The Bank's records show that in February 1949 customers borrowed £316 millions on a total of almost 170,000 accounts. Each application for a loan or overdraft has to be examined carefully by the manager of the branch at which it is to be made; the Bank, in order to safeguard its interests and, indeed, those of its depositors, takes charges over suitable banking securities, such as deeds, stocks and shares, life policies, and obtains personal guarantees. However, many loans and overdrafts are unsecured, but these are arranged only after a thorough review of the customer's financial position, usually as disclosed in audited balance sheets. Moreover, total advances must always be related to the totals of other assets in the Bank's balance sheet, owing to the necessity of maintaining a very high degree of liquidity;

it will be remembered that customers' balances are all withdrawable either on demand or at short notice. In these days every banking advance has also to be considered in the light of national policy as indicated by the Treasury. In the Midland Bank all borrowing by customers has to be sanctioned by Head Office, although naturally great weight is attached to the opinions and recommendations of the branch manager.

In spite of the fact that the Bank has no branches abroad, the overseas services are most important—indeed, no British bank has a bigger overseas business than the Midland—they embrace the widest range of foreign banking business as well as the services rendered as London bankers to several hundred foreign banks domiciled abroad. This work requires the maintenance of business contacts with some 14,000 banking agents outside this country in all parts of the world.

Most of the executor and trustee business is introduced to the Midland Bank Executor and Trustee Company by branch managers and other officials of the Midland Bank. Although quite distinct, the subsidiary company is closely associated with the administration of the Bank, and it handles income tax matters in addition to its main work of executorship and trusteeship.

Mention must be made of some of the miscellaneous services that the Bank provides: the safe custody of documents and other valuables, the honouring of bankers' orders for regular payments and traders' credits, the collection of coupons in sterling and other currencies, facilities for paying-in money and cashing cheques at any branch in the system or, if necessary, at another bank, the issuing of interest certificates and bankers' references, facilities for Stock Exchange transactions and, above all, the many ways in which the managers and officials act as personal advisers to customers on a variety of financial matters.

When nearly two centuries ago Adam Smith described banking operations as essentially suited to a routine, almost certainly he had in mind only such matters as note issues and book-keeping, and even today the handling of customers' cheques and the keeping of their accounts involve a large volume of routine work. In the present study of the Bank's responsibilities we must keep in mind that the work of the Bank is the sum total of

activity at the Head Office and at over 2,000 widely dispersed branches. When a customer presents his cheque for £10 and draws cash the operation seems simple: yet this and thousands of similar transactions set in motion most of the branch organisation: they affect the Banking machinery as a whole, notably the activities concerned with maintaining adequate supplies of cash in suitable form. This requirement reaches back through till reserves to branch reserves; thence to currency supplies at conveniently located cash centres; to the central cash reserves at Head Office; and finally to the Bank's balance at the Bank of England.

Again, if the customer sent his cheque to the other side of England, and in so simple a way settled a debt, dealing with his cheque would call into play all the complex operations of the cheque-clearing system; the cheque in course of collection passing from the branch to the Head Office of the bank at which it was paid in; to the Head Office and then on to the branch of the bank on which it is drawn; each day, many hundreds of thousands of cheques move in this manner with daily settlement between the banks, through the Clearing House, of balances only between individual banks.

A mass of work flows daily into branches, over counters, by post, through interviews, and it moves on in an unceasing stream to appropriate departments in the branch and the Head Office. At crucial points it is subject to check and counter-check, a subject for further reference. All this has a good deal in common with other large organisations, but a peculiarity of banking organisation is that each branch is separate in its supervision, in records and in book-keeping, as well as in the eyes of a customer, to whom a branch is in all important respects a bank in its own standing. The full records concerning each customer's account are maintained at the branch concerned, not at Head Office. In branch management something more than conveyor-belt technique is required, for decisions have to be made without delay at many stages in each day's work, and these are often decisions which can affect the credit standing of a customer and in consequence his very livelihood.

To this brief survey of the Bank's activities must be added

reference to some aspects of the organisation at the Head Office. It has already been mentioned that a definite proportion of a bank's assets must be kept in cash, and that a larger proportion is employed as loans and overdrafts to customers; at present a much larger proportion is invested in Government securities or lent to the money market or direct to the Government through the medium of Treasury Deposit Receipts. Some of these assets are in the form of short-term loans to the Government, repayable within a few months, and some in gilt-edged investments, mainly British Government securities. The organisation of the Bank has not only to provide the machinery which calls for expert use in handling these large investments, but which also enables the Bank to record its resources at frequent intervals and to present the "top management" with details of the Bank's essential statistics day by day and week by week, and so determine movements in its holdings of short-term money assets. It will be appreciated that at Head Office specialist departments are needed to service the management. Most of these departments are common to large-scale undertakings, such as those of accountants, inspectors, legal, staff, premises, research and statistics, but some are particularly associated with the business of banking, such as the Stock Office for transactions in stocks and shares, the Bill Office for the Bank's dealings with the money market, a department dealing with new issues of capital, a Coupon Office and, of course, the huge Clearing Departments.

After this broad outline of the Midland Bank's activity, it would be well to consider some of the special features of the business which have influenced the pattern of organisation to a marked degree. In spite of centralisation of control in the Head Office, the geographical dispersion of business through branches in all parts of England and Wales presents, first, a problem of communication. Most branches are entirely self-contained units, even to the extent of rendering their own Profit and Loss Account, and each is a microcosm of the whole Bank at which all services of the Bank are available—the most junior branch manager speaks with the authority of the Bank. It will be obvious that the branches of a Bank vary very considerably in size; they range from offices with a staff of well over 100 down

to three- and even two-man branches, but in each the system of book-keeping and the methods of control by Head Office are identical, although in practice a manager's individual status and reputation exert an important influence. Branches in some of the larger towns may supervise a group of small sub-offices located in the outlying districts of the town. Instructions are issued by rules laid down in manuals, policy directions and other instructions by the Head Office Circular issued daily to all branches and Head Office departments; particular decisions are communicated by correspondence through Branch Superintendents or by heads of specialist departments. Head Office control of branches is exercised through Branch Superintendents in so far as this relates to the conduct of the Bank's business with customers; the Chief Inspector and his staff are responsible for ensuring that the Bank's regulations are observed, and frequent inspections are made of every branch by Head Office Inspectors.

The branch system has an effect also upon the organisation of staff, for a very high proportion of junior male clerks eventually reach managerial status. The total clerical staff, male and female, is 15,000, and in addition 900 non-clerical workers are employed; at present one in eight of the male clerical staff, numbering over 11,000, holds a managerial or executive appointment. Compared with other undertakings represented in this series of papers the proportion of managerial appointments to total employed may be high, and because of this it is necessary to provide for a carefully formulated policy of recruitment, training and promotion.

This consideration has a bearing on the second special feature. As bankers, the business relationships with customers are intimate and generally highly confidential, and all the staff have to undertake a solemn obligation of secrecy concerning the affairs of the Bank and its customers. Further, operating as the Bank does on the widest possible front, all descriptions of business undertakings are met with and all classes of individual customers—seldom are two customers' requirements identical.

Thus, while the advantages of a highly centralised organisation are appreciated, the bank must be constantly on the alert to ensure that each customer's proposition is judged on its

individual merits. It would simplify the work enormously if set terms could be laid down on which all business could be transacted, but no hard-and-fast set of rules and regulations can remove the banker's obligation to exercise a personal judgment.

Another peculiarity of this business is that a banker's stock-in-trade is chiefly cash, credit and securities, and this consideration involves an obligation to take special care in all dealings. Moreover, unlike the commercial trader, who owns his stocks, the Bank is in the position of a custodian of other people's resources. This emphasises the necessity for very careful control and supervision, which starts in each branch by a system of checks and a daily balance not only of the cash at the branch, but also of all the book-keeping items constituting a day's work. It involves also the provision of suitable premises, strong-rooms and safes and all the control regulations regarding key-holders' responsibilities. Above all, it calls for a special degree of reliability and integrity in all members of the staff. Such an obligation, to take special care, has therefore a dual implication—on the one hand it calls for a system of control which ensures suitable safeguards against error and fraud, and on the other the provision for the physical safety of cash and valuable documents and other items left with the Bank for safe custody.

At this stage it may be helpful to consult the chart of the organisation (on page 188). The whole country—England and Wales—is divided into five sections, each under the control of a Joint General Manager, as follows :

- (1) City of London and Overseas Branch;
- (2) rest of London and suburbs;
- (3) northern counties;
- (4) Midlands and eastern counties;
- (5) southern counties and Wales.

Every Joint General Manager has Assistant General Managers, General Managers' Assistants and Branch Superintendents, their number being determined by the number of branches and volume of work in each section. Each of these officials has his own responsibility and authority to sanction advances up to a progressively larger amount.



It is not necessary to labour the difficulties which arise in the preparation of a chart of a living organisation; such a chart has all the defects which inevitably arise when an attempt is made to reduce to a simple diagram what, after all, are primarily human relationships. The best that can be done is to present the framework of an organisation rather than a chain of command giving implications of levels of responsibility and status. This chart does not indicate, except broadly in the central column, the seniority of the officials concerned, neither does it reflect the relative importance of departments. The status of certain branch managers may well be above that of many Head Office officials, while that of the various Head Office officials themselves varies considerably, although they are shown at equal levels for the sake of convenience in charting. Further, no mention is made of the organisation of the important Overseas Branch in London, with a staff of more than 1,000, its four Foreign Branches in the provinces and two Travellers' Departments in London.

The second part of this paper will consider "the methods by which the bank fulfils its responsibilities". An application for an advance is sent by the branch manager with his recommendations to the branch superintendent for the area in which the branch is located, and in all but the most obviously unsuitable cases a manager would not reject a proposition without reporting it to his superintendent. Here technical matters may have to be referred to a specialist department, and if the amount of the advance is within the limits of the superintendent's authority, he will deal with the proposition without further reference. As has already been inferred, the approval of the superintendent is subject to the broad requirements of the Treasury and the Bank of England. The amount of money involved, or some other consideration involving policy, may necessitate further reference on the part of the superintendent to a General Manager's Assistant or an Assistant General Manager, and so on up the centre of the chart, until exceptionally large advances and major matters of policy are placed before the committee of General Managers. Not only are applications for advances treated in this manner, but all major decisions regarding the conduct of customers' accounts flow through this channel, although all do not need to reach the

same level. The main flow of work to the Management Committee of General Managers follows this course, and only in the central vertical line are levels of responsibility and authority clearly shown on the chart. On the left of this main management line are the Head Office departments dealing chiefly with work arising directly from customers' accounts, although all departments have to service each other. Thus, taking the right-hand side of the chart, Premises Department may call in the assistance of the Legal Department should a difficulty arise, say, over a tenancy agreement of a building used as a branch of the Bank, while Staff Department would naturally be concerned with all sections of the Bank's organisation.

It will be noted that branch managers have direct access to all departmental heads. The Costing Department is shown on the extreme right of the chart under the control of the Chief Inspector. This department assesses the expenses involved in the operation of large accounts, and on its estimates customers are charged for the Bank's services by the branch managers. The Machines Department is responsible for the supervision of mechanised systems of book-keeping; all large branches operate mechanised ledger-posting systems, and the Clearing Department and other recording departments in Head Office use a wide variety of mechanical apparatus. It will be noticed also that the chart indicates that one Assistant General Manager is concerned solely with matters of administration, and that he shares responsibility for the Training Department with the Chief Inspector. The reason for this is that, while training is a commitment of the Staff or Personnel Department, training in the Bank has always to be related to the special requirements of the rules and regulations which guard against loss by fraud or negligence; thus the Chief Inspector is vitally interested in training courses and their syllabuses.

The Management Committee meets every morning, and calls upon senior officials to attend as required. Among its manifold daily activities is a review of the Bank's day-to-day position, to ascertain the amount of money which can be placed with or called in from the money market, in the light of the anticipated fluctuations of customers' balances. It will also consider

whether action must be taken that day to carry out the Bank's investment policy, but its main task is the granting of loans and overdrafts to individuals and to industry generally. The Committee is serviced by a small secretariat, which collects and disseminates information and records decisions.

To follow the pattern of the Bank's organisation it is helpful to trace three distinct relationships with which the Midland Bank is concerned. First is the relation between the proprietors of the business and the top executive of the company, which is the Management Committee, composed of two Chief General Managers and five Joint General Managers. Ownership is vested in the hands of the shareholders—there are about 75,000—whose interests are entrusted to a Board of Directors, in which resides the ultimate responsibility for all major policy matters. None of the Directors acts in an executive capacity and only the Chairman is employed whole time. The Directors are men with a wide experience of public life and business affairs in general who exercise a critical oversight of the Bank's affairs. The link between the Board and the Management Committee is the Chairman. Final executive authority is collective; it is vested in the General Managers acting as a group, and not as individuals. Within this framework each of the five geographical areas into which the branches are divided for administrative convenience is under the control of a Joint General Manager, and the two Chief General Managers are available to preside over the daily meeting of the Management Committee. In short, the Board of Directors, while reserving their right to determine policy at the very highest level, are in fact content to delegate a large measure of authority for day-to-day decisions to the Management Committee, which is entirely composed of officials of the Company who have been promoted from the ranks of the clerical staff.

To the student of the theory of administration this aspect of the organisation may appear to overload the Management Committee; in practice, however, the arrangement works well, and enables experience to be brought to one table from all areas of the Bank's activity and from all Head Office departments. This seems to be especially important in these days, when the influence

of Central Government is increasing in all aspects of commercial and industrial activity. The concentration in London of all specialist departments, as well as the Management Committee, enables the management to keep abreast of the developments affecting business by taking advantage of the many facilities available for consultation with other bankers, business men and representatives of the Government departments in London.

This relation between the Directors and the Management is an interesting feature of the Bank's organisation, for it would seem that the salaried officials occupy a position which is unlike that of the general managers in most industrial companies. This practice goes back to the very early days of commercial banking as it is known today, when the proprietors of the small banking houses from which the Midland Bank grew were themselves also occupied in other professions and trades. Because of their varying interests in those days they were often in competition with their banking customers, and it suited both the banker and his customer that there should be an official who could stand between them when matters concerning the financial problems of the latter were under consideration. The early managers employed by private bankers were consequently vested with unusually wide powers and were given great authority, not excluding the power to withhold details of customers' individual affairs from their principals; indeed, in the case of the Midland Bank the original deed of settlement specifically provided for this. Thus the manager of the Birmingham and Midland Bank over a century ago, a Mr. Charles Geach, was empowered to exercise very wide discretion in the conduct of the Bank's business, and his status appears to have set a precedent which is still to be seen in the special responsibilities attaching to a "top management" divorced from the immediate interests of ownership.

The second special relationship is that between the Management Committee and the executive staff, particularly between the senior Head Office officials and the branch managers; this relationship introduces the subject of centralisation. In so far as decentralisation connotes a dispersion of activities—a physical dispersion over a wide geographical area—the Midland Bank can claim to have decentralised its activity, but for policy decisions

and control the organisation is highly centralised in Head Office. The position of London as a world financial centre makes it particularly appropriate and convenient that a bank operating throughout England and Wales, with an extensive business (although no actual branches) in all parts of the world, working closely with the central bank and the money market, should be directed and controlled from London. A wealth of information and experience is built up by the General Managers, their staff and the specialist Head Office departments, and this provides a reservoir which is available to every branch at short notice, thus providing a service of a uniformly high standard for the benefit of the customers at every branch. The main organisation is on a regional basis; the channel of communication has been traced from General Managers in Head Office, through their assistants and Branch Superintendents also in London, to the Branch Managers. In addition to this organisation, which exists primarily to control the work of conducting banking business with the Bank's customers, the organisation of the Head Office provides, as has been seen, for the service of functional specialists with direct access to the Management Committee. The Bank has sometimes been accused of being over-centralised: it is said, for example, that applications for advances from branches remote from London, such as those in the south-west of England or in North Wales, could best be dealt with by decentralised regional offices, which, it is alleged, would be more sensitive to local conditions. During the last war a modified system was adopted of decentralised control from four district Head Office departments outside London, but this was chiefly a physical precaution against enemy action and was willingly discarded in favour of a return to our normal arrangements. The Staff Department has, however, been decentralised for many years, so that under the control of Head Office the District Staff Superintendents work from four offices in London and nine in the provinces. Further decentralisation offers no known advantages likely to outweigh the disadvantages of the increased expenditure and the reduced efficiency through loss of resultant specialisation. Because of this centralisation of control in Head Office, the precaution is observed of promoting successful branch managers from all types

of London and provincial branches to the highest executive positions in the Bank. The General Managers and their senior assistants have, therefore, first-hand experience of the work which they control, while the system of staff training provides facilities for all young men of promise to gain experience in several branches and in the Head Office departments. Through the Bank's economic intelligence service reports of conditions in all parts of the country are collected and communicated to the Management Committee, and are available as a source of information to the branch managers, who inevitably are constantly faced with all sorts of economic queries. The Joint General Managers and their Assistants visit their branches from time to time and attend meetings of branch managers, at which policy can be explained, while branch managers come to Head Office to discuss their individual problems and to obtain guidance from senior officials.

The third relationship is external, and may be examined under two heads: first, relations with customers and the public, and, second, the relations with Government, and particularly with the central bank. The branch manager plays a very important role as the Bank's representative; in that classic of banking literature "The Country Banker", George Rae said that the first requirement of a banker was to know whom to trust. Knowledge of his customers, as well as their business and the community in which it is conducted, is still essential to bank management, and the Bank's relations with its customers and the public hinge on the branch manager, who, if he is to succeed, must take a lively interest in local affairs. The Bank is not unmindful of the benefits of advertising, and this aspect of the work is centred in the Intelligence Department at Head Office, which deals with public relations as well as with economic research and statistics. The *Midland Bank Review*, written entirely in the Bank, is published quarterly; press hand-outs are prepared as occasion arises; and all the Bank's publications are kept under constant review and revision. The Bank's information and research service is available to all managers by direct application to the Intelligence Department.

The Bank's relationship with the Central Government is for

the most part through the Bank of England—the authorities exercise some measure of control over bank policy either through directives or by statute. This control is seen in the Bank's foreign business, particularly in the operation of Exchange Control regulations and in lending policy. The range of consultation with the central bank and Treasury is much wider, and embraces the policy regarding the Bank's holdings of Treasury Deposit Receipts, Treasury Bills and rates of interest. Decisions reached on such matters are all vital to the Bank's policy; they are communicated to the Management Committee through the Committee of London Clearing Bankers, on which the Midland Bank is naturally represented.

Throughout this paper it has been possible to observe the meaning contained in the excellent definition of organisation which Mr. Simpson quoted in his admirable introduction—"the harmonious interrelation between functions and staff"—and for this reason it would be difficult to conclude without some reference to that part of the organisation which is designed to make the wisest use of that valuable asset—the staff. Mention has already been made of some special considerations which affect our personnel policy—the high proportion of the staff who achieve managerial status and the intimate relationship between the branch manager, and, indeed, his senior staff, and the Bank's customers. Every young man joining the clerical staff of the Bank does so with the possibility of reaching the top executive appointments, for so far there has not been any special recruitment of managerial trainees. New juniors enter the Bank's service in all parts of the country, the local branch manager normally making the introduction; they are usually between the ages of sixteen and eighteen on entry, and the majority come from the secondary grammar schools. Much of the work done during the first years of a young bank man's life is of necessity routine and repetitive; his training is long and often arduous; the staff organisation has to provide the means for detecting men of high promise while they may still be immersed in work which from its routine clerical nature gives only limited scope for revealing potentialities for the more responsible duties.

The staff organisation provides for a system which begins

with the training of new entrants, who now spend the first weeks of their service at one of ten regional training schools. At a later stage training is offered in more senior duties, and later still selected trainees take an advanced course at the Bank's residential college at Oxted, in preparation for a first responsible appointment. Recently a short course for branch managers has also been held at this college. The staff at the branches, and to a great extent at Head Office, is readily interchangeable between branch and branch, or department and department, and between Head Office and the branches. District Staff Superintendents keep detailed records of every member of the staff in their territory, and record the branch manager's annual report, and the Head Office Inspector's report, to which they add their own. Moreover, each transfer from one office or department to another is designed to widen individual experience, and arrangements are made to attach selected officials to branches which can give them specially planned courses of training.

When thinking over the organisation of large-scale activity as seen in the administration of the Midland Bank, it was very noticeable how a constant vigilance has always been exercised lest the danger of producing a uniform organisation for the Bank should hinder the most effective discharge of its business. The chart of the Bank's organisation on page 188 can be misleading, for it neglects so many subjects that are of particular interest to the student of organisation. It does not attempt, except in the central column, to detail the relative status of the officials it mentions; no chart could do so, for within certain limits salaries are paid to the individual and not for the appointment. Moreover, personalities emerge who have special contributions to make in their own particular time. The fact remains that such an organisation must always be sufficiently elastic to allow scope to those individuals who may from time to time exert special influences. This is a feature which is characteristic of the organisation of the Bank as a whole, for a large branch today may be under the control of a manager and an assistant manager and tomorrow of joint managers, depending entirely on the special gifts which the individuals concerned bring to their tasks. The chart also neglects the subject of co-ordination, as invariably such charts

do. At the grave risk of over-simplification, the opinion could be advanced that co-ordination is mainly a problem of human relations. The organisation of the Head Office works extremely well, mainly because the senior officials know and understand each other. Thanks to one of the blessings of centralisation, they all work in close proximity to each other, and many of them have had experience of the work of each other's departments. They have all obtained the same early training as bankers, and consequently they are quick to appreciate each other's problems.

This is hardly the occasion on which to elaborate the Bank's welfare and recreational activities, but they need mention because it is only when human relations are properly adjusted and an *esprit de corps* permeates a large-scale activity that even the best organisation becomes vital and effective. The Midland Bank Staff Association negotiates with the Management on matters relating to conditions and terms of service in the Bank. This voluntary association, whose representatives are freely elected by the staff, is the only staff body recognised by the Management. The sports ground in New Beckenham provides a variety of facilities, and sporting events are arranged in the provinces, while a number of societies—musical, dramatic, debating, horticultural, for example—flourish in London. It is perhaps unavoidable, as it is to be regretted, that a large proportion of the staff in the provinces, particularly those in the more remote rural areas, do not enjoy the same advantages.

So much for a short description of our task and the organisation required for its fulfilment. In conclusion let it be mentioned that the great majority of the people of this country do not maintain individual banking accounts, but it can only be helpful that all should realise the important part, direct and indirect, that banks play in the daily life of the people. From early morning, on his way to work by tram, bus or train, until his return home at night, the wage- and salary-earner is parting with cash for fares, meals, drink and amusement. His wife is likewise spending cash for food, clothing and household goods. All these multitudinous transactions are reflected in some manner throughout the banking system, which seems to touch almost every phase of human activity.

## THE BOARD OF INLAND REVENUE

by J. A. JOHNSTONE  
(Assistant Secretary)

THE Inland Revenue Department clearly engages in "large-scale activities", for it employs a staff of 48,000 and possesses about 1,100 local offices. This paper endeavours to explain what those people are doing and how those offices fit into a larger pattern.

### *Province of the Department*

The primary function of the Inland Revenue Department is the care and management of the country's revenue from direct taxes. The Minister who takes responsibility to Parliament for the general policy pursued by the Department is the Chancellor of the Exchequer; and although he is also the Minister who looks after Treasury business, the two departments are quite distinct.

The chief direct taxes fall into three groups :—

- (1) Taxes on profits, salaries, wages, dividends, rents and other kinds of income—income tax being the outstanding example.
- (2) Taxes on various legal and commercial transactions having the common feature that they are collected by requiring the document which records the transaction to bear a revenue stamp of a specified amount.
- (3) Taxes on inherited wealth—mainly estate duty, legacy duty and succession duty.

These three groups of taxes bring in a large amount of money; out of the 1948-49 budget estimate of roughly £3,500 million, nearly £2,000 million was expected to come from Inland Revenue taxation.

Income Tax . . . . .	£m
Surtax . . . . .	1,309
Special Contribution . . . . .	90
Profits Tax/Excess Profits Tax . . . . .	50
	<hr/> 250
	1,699
Stamps . . . . .	33
Death Duties . . . . .	160
Other . . . . .	1
	<hr/> 1,913

This gives a brief indication of the size of the task.

### *Historical Development*

The detailed description of how the task is undertaken should perhaps be preceded by a few words about the history of the Department.

The financial difficulties of William III's ministries to which Mr. Laverack traced the origin of the Bank of England also started a quest for new sources of revenue. One of their remedies was to impose stamp duties; these survive today, and in one sense the death duties originate here, too, because their earliest form was a stamp duty on some of the documents—grants of probate, for instance—which an executor needs in administering an estate. Another remedy was found in the land tax; but while this, too, survives today, its real importance is as the ancestor of the income tax.

The reason for describing land tax as the ancestor of income tax is that when William Pitt hurriedly imposed the first income tax to meet the mounting cost of the Napoleonic wars, he borrowed wholesale from the administrative machinery of land tax. After 150 years the machinery he created by this borrowing retains a good deal of its original shape.

The whole business used to be quite local in form, and rather in keeping with the English "amateur" tradition. In each area the raising of the tax was in the hands of a body of unpaid General Commissioners; they were local squires and substantial merchants—the same kind of people as sat on the bench as J.P.'s. They appointed a Clerk to assist them—probably a local solicitor, like the clerk to a bench of magistrates. They appointed annually

two local inhabitants as Assessors with the task of obtaining returns from taxpayers and suggesting appropriate assessment figures to the Commissioners. When the assessments were approved the Clerk notified each taxpayer of the amount set against his name; a man dissatisfied with his assessment could appear before the Commissioners to appeal against it. Finally the Commissioners appointed a Collector for each parish to collect the sums due and to pay over the proceeds to the Exchequer.

The only Civil Servant involved in all this was the Surveyor (or, as he would be called now, the Inspector) of Taxes. These Revenue officials were stationed up and down the country to hold a watching brief for the Crown. The Surveyor had a right to see the records of what was going on, and if he thought the Assessors were letting a man off too lightly, he could propose a higher figure.

This local machinery was very free from any taint of "bureaucracy", but as income tax grew complicated and affected large numbers of people, the need for more central direction became obvious. The Surveyor acquired a clerk, then several clerks—until now an Inspector's Office will have a staff of forty, sixty or eighty Civil Servants. The Inspector took over the sending out and scrutiny of return forms, and the Assessors' functions wasted away. He took over the clerical work that had been done by the Clerk to the Commissioners. General Commissioners began to surrender to the Board their right of appointing Collectors: the transfer of authority over Collectors was completed by legislation in 1930 except for the City of London, which was not assimilated till 1946.

Today the work is all done by Civil Servants under the central direction of the Board of Inland Revenue. The independent bodies of General Commissioners retain quite unimpaired their power to hear and determine appeals by taxpayers who think their assessment is too high, and their formal signature is still needed for some of the assessments. The outward forms have been preserved to a large extent, but the driving force is quite different.

This development was gradual, but has been going on for a long time now. And it affords justification for saying that the Board had long ago to discard a purely regulative role; they

have, in fact, become accustomed to exercising a managerial function, and the Department has had to organise itself to handle large blocks of executive work.

(Somewhat similar developments occurred in the work of looking after the stamp duties and their offshoot, the death duties.)

### *The Board and the Branches*

The top level oversight of those large blocks of work falls to the Board themselves—a Chairman, two Deputy Chairmen and four Commissioners. They may be compared to the Permanent Secretary, the Deputy Secretaries and the Under-Secretaries of any other Government department. The Board have a small Secretariat to conduct correspondence and issue directions in their name, but they hand over the management of large blocks of executive work to a series of branches with executive heads—to a Chief Inspector of Taxes, an Accountant General, a Controller of Stamps and so on, as shown in the diagram (Fig. 13).

It has for long been a maxim of organisation to give the branches as much executive responsibility as possible for the work entrusted to them. It is intended that they should be able to plan ahead, to alter their arrangements to meet changing circumstances, and to study how performance compares with plan. The head of a branch has real responsibility for its day-to-day running, though he is expected to consult the Secretariat on any very involved problems or important questions of policy.

### *Chief Inspector of Taxes*

The office of the Chief Inspector of Taxes (by far the largest branch) is concerned with taxes belonging to the first group—taxes on profits.

The important thing here is the local Tax Office, of which there are 650. There is one in every town of any size. Big towns usually have more than one: a very big town like Birmingham can have as many as nineteen. Each of them is in charge of one of H.M. Inspectors of Taxes, with one or more other Inspectors assisting him and a staff ranging normally between thirty and one hundred.

## INLAND REVENUE DEPARTMENT

## THE BOARD AND THE SECRETARIES' OFFICE

## BRANCHES

CHIEF INSPECTOR OF TAXES. 1.	ACCOUNTANT AND CONTROLLER GENERAL. 2.	ASSES- MENTS DIVISION. 3.	SPECIAL COM- MISS- IONERS. 4.	CONTROLLER OF STAMPS. 5.	DIRECTOR OF STAMPING. 6.	ESTATE DUTY OFFICES. 7 and 8.	COLLECTORS' OFFICES. 9 and 10.	VALUATION OFFICES. 11 and 12.	CONTROLLER OF STAMPS AND TAXES, EDINBURGH. 13.
Ascertain income tax, profits tax and land tax liabilities.	General accounting and Audit Divisions. Receive, con- trol and bring to account the Island Revenue duties: pay return and expenses. Audit employers' PAYE records and some internal records.	Collection Service. Collect income tax, profits tax and land tax.	Assess and collect surtax and special contributions. Assess income tax on foreign and colonial dividends. Make returns due to non- resident persons.	Assess stamp duty: sell for stamps and stamped forms.	Impress embossed stamps on documents.	Assess and collect estate, legacy and succession duties.	Advise on legal questions. Represent the Crown in appeals and court cases.	Value real property.	Perform in Scotland duties delegated by Secretaries' Office; also those under- taken in England by Branches 2, 3, 5 and 6.
H.Q. and 650 district offices.	H.Q. and 300 local offices.	H.Q. and 190	830	H.Q. and 13 local offices	390	700 (London) 100 (Edinburgh)	90 (London) 7 (Edinburgh)	London H.Q. and 120 Regional and district offices. Edinburgh H.Q. and 14 district offices. 3,300 (E. and W.) 240 (Scotland)	21 local collection offices; one local stamp office. 600
34,000	580	5,700		280					

Fig. 13.

The basic task of this office for the territory assigned to it is to find out the taxpayer's income and circumstances, and to determine his liability on that basis. It may be land tax or income tax under Schedule A on property; it may be professional earnings (Schedule D) or business profits (Schedule D again, and perhaps profits tax); it may be the final check-up on the tax that a man's employer has deducted from his wages under "pay as you earn"; or it may be the tax repayment due to someone who has had tax deducted at source from investment income and who is entitled to personal allowance<sup>a</sup> or reliefs. Whatever the subject, the Tax Office has to understand the whole range of complicated rules; to explain them to the taxpayer; and, where it cannot obtain his agreement, to defend its action on appeal before the General Commissioners.

To enable this large task to be discharged successfully it is necessary to give the man in charge a pretty free hand. Although the forms are produced centrally for use in standardised procedures, and although there is a fairly bulky code of instruction books explaining the official interpretation of the law, those in charge have full authority to plan the programme of work and to reach a final settlement in the cases coming before them. There are no Regional Controllers who must be consulted. The Chief Inspector at Head Office has a small number of specialists around him who are experts in particular matters—for example, the finances of the less common types of business, like building societies or life assurance companies—and the local Inspector, in case of need, can report his problem for a second opinion. But this is very much the exception: he is expected to, and does, arrive at the solution of his own technical problems whenever possible.

On matters of general management—particularly staff questions—the link between the Inspector in charge and Head Office is one of the small number of Inspecting Officers. They pay regular visits of inspection, and they regularly confer together in London. They help, too, to explain Headquarters policy to the local staffs; and they also ensure that the Chief Inspector and his specialists have a clear picture of the difficulties which Tax Offices are encountering.

*Accountant and Comptroller General*

When the Tax Office has worked out a man's tax bill, the collection of the amount payable falls to the Accountant and Comptroller General. The Accountant General has other interests: he performs the usual work of a Ministry's Finance Branch in connection with the annual Estimates, the Appropriation Accounts (as laid before the Public Accounts Committee) and so on. He is also, as it were, the Department's cashier, and he handles the payable orders which it uses to pay salaries, tax refunds and expenses generally. Some of his staff are engaged on internal audit duties; and this has now been extended to cover the work of inspecting the records which employers keep of their doings in connection with "pay as you earn".

But the ordinary tax-gathering falls to the local offices of the Collection Service, lineal descendants of the old collectors appointed for each parish. Actually quite a number of those people were offered establishment in the Civil Service to go on doing their old work in the 300-odd offices which were formed—just as the Ministry of National Insurance has taken over staff from the Approved Societies. Having been informed by the Tax Office of the sums due from particular taxpayers, the Collectors send out demand notes and issue receipts for the resulting payments. If payment is not forthcoming, they attempt to secure it by personal application, and if all else fails they have forcible remedies by way of distraint (that is, seizing and selling some of the defaulter's movable property) or summary proceedings before the local magistrates.

*Assessments Division*

The local Collector's remedies are not always effective. The debt may be larger than the legal limit for summary proceedings before magistrates, and there may not be enough loose effects for distraint. Where recovery cannot be made locally, the arrears become the concern of the Assessments Division, a Headquarters office. The task of this Division is to pursue the Revenue's claim by proceedings in the High Court (where there is no limit of amount) or, more commonly, by negotiation under the threat of such proceedings.

*Special Commissioners*

The office of the Special Commissioners should be taken next because, like the three preceding branches, the Special Commissioners have something to do with income tax. The Special Commissioners themselves are an independent statutory body with judicial functions appointed by the Treasury, but their staff are appointed by the Board of Inland Revenue, and have various executive duties.

The Special Commissioners are available to exercise the same kind of assessing and appeal functions as the local General Commissioners. In the first place, the taxpayer may exercise his option to obtain their professional verdict on his liability, instead of taking his case before the appropriate lay body of local General Commissioners. In the second place, some kinds of income-tax work found no very obvious place in the territorial organisation taken over from land tax. One example of this is the system of deducting tax at source when income from abroad—e.g., interest on foreign government loans—is distributed by a bank or other paying agent in this country. Another example is an exemption claim by someone who resides abroad. This kind of work was therefore entrusted to the Special Commissioners and their staff.

But the income-tax work is rather overshadowed by the work of assessing and collecting surtax. This is an additional tax, graduated according to total income, on persons who have more than £2,000 a year. From its inception (under the name of super-tax) this has been administered centrally, though there is naturally a system for passing on relevant information from the local Tax Offices to the Special Commissioners' staff. Surtax has recently been joined by the special contribution—a sort of once-for-all capital tax on people with large investment incomes.

*Controller of Stamps and Director of Stamping*

The stamp duties are looked after by two branches in partnership, the Controller of Stamps and the Director of Stamping. The staff of the Controller of Stamps decide what duty is payable on each document: the office of the Director of Stamping deals with the mechanical work of impressing the appropriate stamp.

Much of the work is done at Headquarters in London. There

are arrangements for depositing documents at local post offices (together with the necessary cash) to be sent up to London for processing. But several of the biggest provincial towns have local Stamp Offices where the work can be done on the spot; and there are one or two specialist units attached to institutions with a heavy demand for stamps—at Lloyd's with all the marine insurance policies, and at the Stock Exchange with their share transfers, contract notes and bearer bonds.

For the sake of completeness, it should be mentioned that some stamps are on sale unconnected with taxation. They represent fees payable to some other Government department for a service which the purchaser wishes to obtain—e.g., the fees payable for the services of the Ministry of Health District Auditors or the fees payable to the Patent Office for the protection of inventions. The use of these fee stamps saves the department concerned from having to handle its receipts in the form of cash.

#### *Estate Duty Offices*

In the matter of death duties, it is for the Estate Duty Office to raise, maintain and pursue the Crown's claim for the sums due to it when property passes by will or inheritance. This involves examining testators' wills and the affidavits in which legal personal representatives list the dead men's property as part of the process of obtaining probate or a grant of administration, but the examining staff must also be skilled in interpreting marriage settlements or other relevant trust deeds of all kinds.

Apart from legal intricacies (the influence of which may be traced in the fact that Scotland, with her separate legal code, has a separate Estate Duty Office in Edinburgh), skill and experience are required in placing a fair value on all the kinds of property that pass on death. Where land and buildings are concerned, professional advice as to their value is normally obtained from the Valuation Office.

#### *Solicitors' Offices*

The title "Solicitor's Office" is self-explanatory. Once again the separate legal system of Scotland has its effect: there

is a separate Solicitor's Office in Edinburgh. These offices not only tender advice on legal problems raised by the work of other branches; they have their day-to-day work of instituting Court proceedings on behalf of the Department. There is also a fair amount of litigation work in connection with income-tax appeals, because if either side is dissatisfied with an appeal decision by the General or Special Commissioners, there is usually a right to pursue the matter further in the High Court and beyond.

### *Valuation Offices*

The Valuation Offices conform to the pattern of a branch with numerous out-stations, there being upwards of 100 District Valuers answerable to the Chief Valuer in London, and about one-seventh of that number answerable to the Chief Valuer in Edinburgh.

The District Valuer's first function is to make a professional estimate of the capital value of land for Revenue purposes. That may be asked for, as already mentioned, by the Estate Duty Office, and it might equally be needed in connection with stamp duty. But the service has also been made available to other Government departments which are interested in the value of land—either directly, as when the Ministry of Transport is acquiring land compulsorily to build a trunk road, or indirectly, as when the Ministry of Health is asked to approve a local authority's exercise of borrowing powers for the purchase of land. In effect, the Department has come to provide a common Government valuation service, just as the Ministry of Works and the Stationery Office provide other common services for all departments. In a short general paper it is scarcely possible to do justice to the varied work of the Valuation Offices: that would require a survey of the transactions affecting land handled by every part of the Government machine—of Town and Country Planning, compulsory acquisition, disposal of surplus buildings, not to mention war-time requisitioning and war damage claims.

The Valuation Office in England and Wales is some day to take over from local authorities the work of making valuations for rating purposes. But that lies in the future.

*Comptroller, Edinburgh*

The last branch shown in Fig. 13 is that of the Comptroller of Stamps and Taxes in Edinburgh. This has some resemblance to the Regional Office of a Ministry organised on regional lines, but the parallel is incomplete because death duties, for instance, and valuation questions are somewhat outside the Comptroller's orbit. His office is best regarded as an outpost of the Secretariat performing any duties of general administration which can usefully be devolved and, as a separate matter, undertaking for Scotland the executive work which falls in England to the Accountant General, Assessments Division, the Controller of Stamps and the Director of Stamping. For instance, the Comptroller's Office superintends the Scottish Collection Service, with twenty-one local offices, and looks after one local Stamp Office (as well as the stamp duty work undertaken at Headquarters in Edinburgh).

*Summary*

The distribution of work among the branches just described might be summarised by saying that there is a primary division by separate function. Some branches are concerned with income tax and the like, some with stamp duties and some with death duties, while others provide specialised professional assistance (questions of law and valuation). There is further sub-division by process—in the income-tax field, calculation of liability; routine collection; pursuit of arrears; and assessments and appeals (so far as undertaken by authorities inside the Department); and in the stamps field, determination of liability and production of stamps. Finally, there is a splitting on a geographical basis—either to meet the situation of Scotland or to take the Revenue to meet its customers in their own areas.

*Work Retained by Board and Secretariat*

It remains to describe the work retained by the Board and their Secretariat.

In the first place, there is Parliamentary business. The Board have to put up plans to the Chancellor of the Exchequer; to take part in framing the draft legislation to give effect to his decisions;

and to see that the decisions are carried out in detail by the branches concerned. There is advice to be given on the amendments which private members seek to insert in the annual Finance Bill. Answers must be supplied to Parliamentary Questions and reports on the letters which M.P.s send to Ministers about their constituents' taxation troubles.

Secondly, deputations are received from representative bodies concerned with the subject-matter of one or other of the taxes under the Board's administration—e.g., the Federation of British Industries, the Law Society and the Council of the Stock Exchange. Oral and written representations from such bodies have to be examined and the best solution found. There are also consultations with other Government departments on matters of common interest, and there are discussions with the taxation authorities of other countries in order to arrive at agreements for lessening double taxation.

Thirdly, the Secretariat obtain the Board's directions on problems brought forward by the branches.

Finally, the Board and the Secretariat must see that the branches are properly co-ordinated; that they are supplied with the staff required to perform the work adequately without wasting man-power; and that they strike a proper balance between the technical aspects of their work and wider considerations of a non-technical character.

### *Auxiliaries*

While the practice of devolving responsibility for management to the branches means that the Secretariat can be quite small, there is, of course, a considerable amount of work at lower levels in looking after the needs of the branches and of the Department. Such work falls to auxiliaries not shown in the diagram.

One auxiliary which might well be regarded as an executive branch in its own right is the office of the Director of Statistics and Intelligence. (The Director himself is one of the Board's Assistant Secretaries.) The business of this office consists in compiling statistics of the produce of the different taxes; in preparing estimates of the expected yield of existing taxes and of the financial effect of projected amendments of the law; and

in running the Department's library and collecting information about direct taxation in other countries.

Other auxiliaries provide the usual housekeeping services required by any Government department. Thus, they procure, through the Ministry of Works and the Stationery Office, the accommodation needed for the Headquarters offices and out-stations and the forms and equipment that those offices require.

### *Factors Influencing Organisation*

In his introduction Mr. Simpson directed attention to a number of interesting problems which arise in the study of any large-scale organisation. He mentioned, for instance, the arguments for and against the appointment of a Chief Executive, the problem of optimum size and the importance of always remembering the human factor.

In the Inland Revenue as at present organised there is no single Chief Executive, but each branch is organised on the pattern of subjecting it to the managerial control of a Chief Executive, the head of the branch, who is in more or less complete charge subject only to his accountability to the Board. The technical problems of the several branches differ so much from branch to branch that it is not easy to imagine any gain resulting from the appointment of a Chief Executive in general charge.

The question of optimum size is not the only matter which has to be weighed up in deciding the lay-out of the Department's out-stations. Local conditions, including communication facilities, may oblige the Department to arrange for a number of small offices to look after a particular area rather than one large one. The upper limit of size has to be borne in mind. Before the war experiments were made to investigate the relative disadvantages and advantages of different sizes of Tax Office; since then, the scale of the problem has been not a little altered by the introduction of "pay as you earn", but on the whole it still seems that the balance of advantage lies with the small or medium-size Tax Office.

The chapters in this book cannot hope to cover all the questions of personnel administration which arise in carrying on large-scale activities. But two aspects of the human factor especially deserve

mention in any survey of the organisation of the Inland Revenue Department :—

(1) In recent years increasing attention has been paid to the instructions and circulars issued to local staffs. It is accepted that the work is performed more smoothly if those doing it are told not only what they must do, but also why it has to be done; as far as possible, therefore, the circulars emitted from Somerset House try to explain something of the background to the Department's work.

(2) Like other departments, the Inland Revenue has a Whitley Council organisation for joint consultation. Joint consultation proceeds at all levels. In the branch of the Chief Inspector of Taxes, for instance, the work of the Whitley Council covering the Department as a whole is supplemented by the activities of a Branch Committee (with vigorous sub-committees of its own) and Office Committees in each local Tax Office.

In conclusion, it may be useful to describe some of the reasons which have influenced the Department's organisation.

The specialised Stamp Offices at Lloyd's and the Stock Exchange are examples of an attempt to suit the convenience of the customer. This is a strong factor in influencing the Department's organisation. As a taxing Department it cannot hope to please the citizens with whom it has dealings, but at least there is no need to irritate them unnecessarily. The facility of local access to a Tax Office is considered very important, especially since "pay as you earn" was introduced. This is in part a case of meeting the convenience of the customer, but it is also part of the question of centralisation and decentralisation.

The second major factor influencing the Department's organisation is the nature of the work.

To begin with, it is permanent; the Department is a going concern. It is possible, therefore, to recruit people not possessing professional qualifications and to train them in technical skills after they enter the Service. Members of the Tax Inspectorate, for instance, pursue a course of studies in accountancy and tax law as part of their post-entry training. This enables the Depart-

ment to set up a general purpose office like the local Tax Office : the Tax Office is not compelled to send up a great quantity of paper to Headquarters to have the larger assessments counter-checked by other staff (as has to be done in the tax administrations of some other countries).

Another feature inherent in the nature of the work is that it is highly technical. This has been taken to mean that there must be specialisation—division of work by main function and subdivision by processes. Admittedly the different branches do have transactions with one another—for instance, the Tax Office tells the Collector what amounts to collect—but they are not tightly interlocked. Therefore it is possible to keep the line of authority short. There is no regional organisation because there would not be anything for a Regional Controller to contribute to the practical settlement of the work.

Still another aspect of the work is that in a large number of instances it is more satisfactory to bring it to settlement locally. This is not merely a matter of making use of local knowledge, though that is important in the case, for instance, of the District Valuer, who has to make a continuous study of the different factors affecting the price of land in a particular neighbourhood. Nor is it merely a matter of the time that would be consumed if the Department's officers were not outposted, but had to travel from their base to meet those they wanted to do business with and then go back again.

Apart from considerations of that sort, there is a very real virtue in having close personal contact with taxpayers. It brings a sense of realism into work that might easily come to be regarded as a series of fascinating technical problems. The man in the local office is helped to keep a lively sense of the reality behind the figures on the forms. Here, too, the Inspecting Officers have a part to play. They refresh their practice by visits to the local offices, and then they go back and help to remind the senior staff of the days when they, too, were running the job on the spot and knew the value of getting a decision handed out quickly.

It has been found that a helpful mental attitude is fostered by decentralisation. There are other ways in which the system saves trouble. If the business man and the chartered accountant

who acts for him can get round the table with the Inspector to discuss problems affecting Schedule D liability an agreement may well result that would have taken letter after letter if tackled by correspondence. Under "pay as you earn", too, it is better that the employers' pay-roll offices should be able to obtain guidance about their duties by merely putting through a local telephone call. From the employee's point of view also it seems to be an advantage to be able to call at the Tax Office and have his problem examined on the spot. "Pay as you earn" is a complicated business, and many people find it rather hard to explain in writing what their particular difficulty is. An interview helps a lot; and it also helps to secure that the Tax Office has the full facts to enable the matter to be dealt with straight away. The question of speed is important, because the "pay-as-you-earn" machine goes on deducting tax at the old rate until new instructions are issued; it is not like the old system, when, if someone questioned the amount demanded from him, the Collector could be told to hold his hand until the complaint had been investigated.

Except where the sheer intricacy of the work imposes central handling, the departmental practice is, in fact, to decentralise.

So much for the customers' convenience and the nature of the work. The third major influence on the organisation of the Department is the conviction that it is possible and useful to make a division between framing the policy and implementing it. This lies at the root of the division of work between the Board's Secretariat and the branches. As has been emphasised, this does not mean that the branches are denied their share of management. Every branch has its Chief Executive with a very real job to do in planning and progressing the work handed over to his branch. The officers of the Secretariat, on the other hand, perform duties of the kind recognised in the National Whitley Council Reorganisation Committee's Report of 1920 as belonging to central administration, namely—

"those concerned with the formation of policy, with the co-ordination and improvement of Government machinery and with the general administration and control of the Departments of the Public Service."

The several branches acquire great expertness in the highly technical jobs which they undertake. The Board and the Secretariat have to have rather a different standpoint. They supervise and criticise the main lines of the varied activities of the branches. They link them one to another, so far as that is necessary, and they relate their doings to the requirements of Ministers and Parliament. And in all these processes they have to provide the type of perspective which continuous absorption in specialised work cannot normally be expected to produce.

## SUMMARY

by SIR CHARLES RENOLD

*(Chairman of the British Institute of Management)*

I HAVE been asked to sum up this series of papers, presumably with the idea of indicating whether any common principles have emerged from the practices of the eleven organisations which have been described.

The chief impression given—I think you will agree—is that very little in the way of general principles has emerged.

It might be that with more time to study the evidence, the search for common principles of organisation would have been more successful, but at this stage at any rate the first feature that aroused my interest and curiosity was the extraordinary diversity of the organisational structures and practices that had been revealed. I accordingly began to search for reasons that would explain these differences. They might, of course, be due to the fact that the several undertakings had solved their organisation problems with different degrees of success. That is to say, they might merely indicate differences between good and less good management.

But such an explanation is far too simple and naïve to be satisfying. Moreover, the one thing that does stand out from the evidence—sketchy as it necessarily is—is the great amount of thought that has been given in each case to problems of management. There clearly must be some more fundamental reasons for the differences. It seemed to me that the causes must lie in differences of purpose and of circumstance. The problems set to the several undertakings must somehow differ fundamentally.

I accordingly applied myself to the consideration of these purposes and circumstances in an attempt to discern their essential nature and the effects they might be expected to have in dictating or determining features of organisation and management practice.

There seem to me to be four such determinant considerations exemplified by the undertakings that have been described to us. I will list them at this point and discuss them in more detail later. I suggest that they are as follows :—

- (1) Whether the undertaking is subject to public scrutiny and criticism, not only of policy but of details of behaviour.
- (2) Whether it is a trading or non-trading undertaking.
- (3) Whether subject to consumer choice.
- (4) Whether large size is due to the reduplication of units of one and the same type of activity or to the agglomeration of many units of differing activities—i.e., whether size is due to repetitive extension or to multiplicity of variety. A Bank is an example of the former, Lever Bros. of the latter.

Before discussing these determinants I think I had better say something about my own approach to questions of organisation, because that is bound to colour my treatment of the subject.

The problem of organisation can be approached on the basis of either of two concepts.

There is first what may be called the "*mechanistic concept*". According to this an organisation is conceived of as a machine, so constructed and operated as to express and apply a central controlling will.

The second is the "*humanistic concept*". According to this, an organisation is conceived of as a team or community of people so related that the efforts of each shall contribute to common purposes.

My own strong predilection is for the second concept, and my approach to the question of good management is the humanistic one. This places the soundness of the team, regarded as a community, first, and the mechanistic approach as subsidiary. The latter provides the necessary framework for the functioning of the community.

By contrast, the mechanistic approach considers first the requirements of the machine, and then how to make the resulting rigors supportable to the human elements.

So much for the approach to problems of organisation.

If I had to name a single quality as the hallmark of successful solution of the problems, I would give first place to the quality

of vitality. It is in this connection that the full significance of the two approaches is most evident.

A mechanistic organisation can of course be highly vital, but its vitality depends on the perfection of the mechanisms of direction and control, and on the power of the sanctions by which obedience is secured. This is the vitality of the efficient dictatorship.

In a humanistic organisation, on the other hand, we are concerned with vitality as a quality of a community, not of a machine. Such vitality is something that is immanent and spontaneous throughout the community, not merely imposed and transmitted. It springs from service *given* as against service *extracted*.

I suggest that vitality of this kind depends on the diffusion of initiative and responsibility.

The initiative may, of course, have degrees of scope. It may refer to ends and purposes; it may refer to the means by which these are to be sought; or it may refer only to the application of established means to particular situations. The scope of permissible initiative must vary, of course, according to status within the management hierarchy, but responsibility should always be commensurate. Responsibility should imply answerability for *results* within the field of permitted initiative.

The diffusion of initiative and answerability in terms of results is what I understand by the term "decentralisation". This term "decentralisation" is sometimes used to indicate mere geographic dispersion, but I do not regard the two as synonymous at all. Geographic dispersion may indeed facilitate decentralisation, but decentralisation in the sense of diffusion of initiative and responsibility springs not from geography but from an attitude of mind.

From what I have said you will gather that my view of what constitutes good organisation in a democratic society requires that the humanistic approach shall have preference over the mechanistic, and I hold that vitality in such organisation turns on decentralisation of initiative and responsibility.

I will not return to the four considerations that I cited earlier as likely to condition and perhaps to determine the forms of organisation of the undertakings under review. I will consider them against the background I have just sketched.

My first determinant concerned the liability of the undertaking to public scrutiny, not only of policy and general results but of details of behaviour.

It seems to me that this liability introduces a feature of fundamental importance and renders undertakings that *are* subject to such publicity really quite incomparable with those that are *not*. Undertakings of the former kind include the Government Departments examined and the L.C.C. and to a somewhat less degree the nationalised industry, British Transport Commission. Liability to detailed public scrutiny and criticism cannot help but colour the whole approach to the question of organisation. The top authority must be in a position to explain and justify all actions of its employees. In order to minimise occasions for justification, all such actions must be regulated by the book. The avoidance of mistakes becomes a cardinal consideration, and decentralisation can therefore hardly be permitted. In fact the whole organisation must tend to be designed for the avoidance of mistakes rather than for enterprise. In the interests of safety it must tend towards centralised control.

I suggest that the undertakings we have been considering can really be divided quite fundamentally into those that must put safety from mistakes first and those that are free to put enterprise and vitality first.

The effect of this first determinant may indeed be modified by my second—namely, whether the undertaking is a trading or a non-trading one.

The significance of this distinction, so far as determining the pattern of organisation is concerned, is that there is a ready-made yardstick of efficiency available—the trading results. The ability to describe, direct and measure in financial terms which anchor back to an external market provides the organisation with an all-pervading nervous system, natural, sensitive and realistic, and eminently suited to the pursuit of trading efficiency.

Expenses can be judged in relation to the values they produce, and both can be related to fields of personal responsibility. The stage is set, so to speak, for decentralisation.

This determinant would group together the four commercial undertakings, Prudential, Lever Bros., the Midland Bank and

Imperial Chemical Industries, which are not subject to my number one determinant (detailed public scrutiny), and would also include certain of those that are so subject. These are the nationalised industry, British Transport Commission, the Post Office and, I suppose, the Bank of England.

The case of the nationalised industry seems to me to be particularly interesting. It is subject to detailed public scrutiny, and it is a trading undertaking. According to my first determinant, it is not free to put enterprise first in its approach to its organisation problem, but as a trading undertaking enterprise and vitality should be the very first consideration in devising its organisation. The conflict is perhaps not so absolute as it appears, since a nationalised undertaking that engages in trading should be able to stave off public criticism of details by insisting that its operations should be judged by financial results, and not by details of its behaviour or proceedings in obtaining them.

My third determinant concerned consumer choice. This is somewhat similar to the last one, but not quite the same. The significance of an undertaking being subject to consumers' choice is, of course, that if the customer does not like the goods or services he can go elsewhere. This is another form of public criticism, but it is criticism of results, not of the procedures by which the results are achieved. It puts a premium on finding out what the public wants and on resourcefulness in meeting it. The predominant requirements of organisation in such cases are enterprise and adaptability. Nationalised industries, though they are trading undertakings, are not subject to consumer choice. They may make every effort to ascertain their customers' needs, but they do not lose their business to competitors if they fail to comply with them. Adaptability may be, for them, an aim, but it is not a dire necessity.

My fourth determinant is of rather a different order from any of the others, and I am not too confident that I have fully grasped its significance, though I think it has some importance. It is concerned with two contrasting reasons for an undertaking being a large one.

I can best explain what I have in mind by comparing the cases of the Post Office and Lever Bros.

The reason why the Post Office organisation is so large is surely that there are so many post offices and telephone exchanges in the country. The problems of one post office or of one telephone exchange are essentially the same as those of another. It is the addition of so many "likes" that builds up the size. I have called this feature, for lack of a better term, size due to repetitive extension.

Contrast this with the case of Lever Bros.

Whilst this exhibits repetitive extension, too, the dominant reason for size is the great variety of activities. Not only is the basic variety great, but activities that are apparently the same involve very differing problems, according to the country in which each is carried on.

Because of the great variety both of activity and circumstance, such an organisation is almost bound to be decentralised. Authority must be relegated to near the scene of action. In the case of size due to repetitive extension there is no such compelling reason for decentralisation. Indeed, the maintenance of uniform practices in all the reduplicated units rather points the other way. Clearly in the Post Office, for example, there can be little diffusion of initiative in regard to ends and purposes, nor in regard to choice of means. All that would seem available is in regard to the application of established means to particular situations.

Organisation suited to deal with repetitive extension would appear to be of the type of the unitary command, whereas that for varietal multiplicity seems to require an organisation devised on the conception of the formation.

Applying these ideas to the undertakings before us, not all are easily placed—

Clear examples of repetitive extension are :—

Ministry of National Insurance.

Post Office.

Inland Revenue.

Prudential.

Midland Bank.

Bank of England.

Examples of varietal multiplicity are :—

Lever Bros.

Imperial Chemical Industries.

London County Council.

British Transport Commission.

I am not even sure whether British Transport Commission comes into this class. If it is to be regarded as a single undertaking, then the feature of variety would seem to predominate over the feature of repetitive extension. But if it is regarded as a somewhat unreal association of five undertakings having little essential association, I would think that each of the five except the Hotel Executive are examples of repetitive extension.

In none of these classifications have I referred to the Iron and Steel Federation. I must confess to being entirely baffled in my search for any basis of useful comparison between that organisation and the others.

The organisation described is that of a liaison service. Regarded in this light the numbers employed would not bring it into the class of large-scale activity at all.

If, however, the Federation is conceived of as embracing the activities of the whole industry, it is quite a special case, since it enjoys only a partial and selective sovereignty over those activities. It seems to me, therefore, not comparable with any of the other industrial undertakings.

I have now put forward four features, each of which may be expected to exercise a determining influence on the pattern of organisation. There may well be other such determinants that I have failed to discern, but let me at this point summarise the effects of my four. They were as follows :—

(1) *Subject to Public Scrutiny of Details of Operation.*—This must tend to make the avoidance of mistakes a primary object in designing the organisation. Qualities of enterprise, adaptability and resourcefulness can only come second. The tendency must be all against decentralisation.

(2) *Trading or Non-Trading.*—The trading undertaking has a ready-made yardstick of efficiency available, and its pattern of organisation will tend to be shaped primarily to secure

One of the potent factors in high morale is a "sense of belonging" on the part of every member of a community—the feeling that each one is an essential part of the show and that his personal loyalty is therefore engaged. For most people personal loyalty rallies more easily to the small community and to the leader who is near and accessible than to the large one with its distant leadership and its inscrutable purposes. Thus we come round once again to the importance of decentralisation. Approached from the mechanistic conception, it is important as making the machine responsive and adaptable. Approached from the humanistic conception, it is important as providing sub-communities sufficiently small and intimate to engage the personal loyalties of their members.

It is my conviction that we have reached a stage in the study of management and organisation at which much greater attention should be paid to discerning the laws of behaviour of human beings associated in communities. If we were clearer as to the essential bases of high morale in communities and more convinced of the importance of the humanistic approach, I think that the large-scale organisations that we have been privileged to study would enter on a new phase of evolution.

In making these somewhat critical observations, I would repeat again that I have had to base them on the evidence submitted, and I realise that it could not be expected to cover the whole field. Judging them solely by the evidence, I think that my comments on this question of the humanistic approach are relevant. It is, however, very significant that they appear to apply with greater force to the Government and nationalised activities than to those controlled by private enterprise.

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